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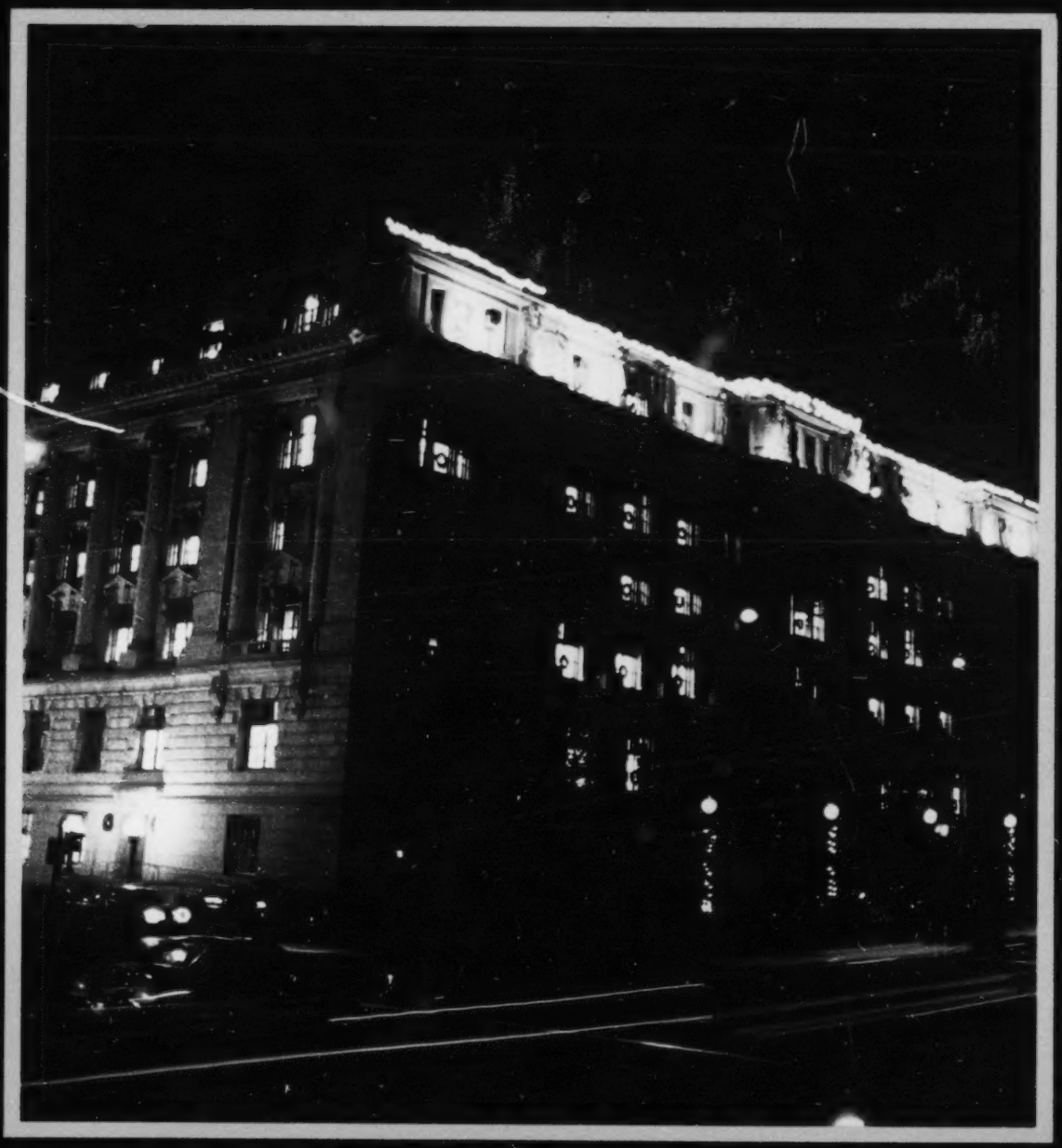
District of Columbia

Comprehensive Annual Financial Report

Year Ended September 30, 1986



January 27, 1987

Dear Citizens:

For the sixth consecutive year, the District has achieved an excess of revenues over expenditures in its General Fund. Revenues were $2,815.1 million and expenditures and other uses were $2,795.0 million, resulting in an excess of $20.1 million. The accumulated deficit has been reduced $153 million during the last six years.

For the fifth year in a row, the District was awarded the coveted Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada. The certificate is awarded only to those jurisdictions whose financial reports comply with vigorous program requirements and standards. Only four other states have received this certificate. As shown in the financial statements contained in this report, the District continues to improve its financial position and stability. Through responsible and progressive management of financial operations, we demonstrate our on-going commitment to the highest standards of accounting and financial reporting.

We have had an interesting and exciting year in which improvements were made in the following areas:

- Our economic development efforts have added 18,500 jobs in the District in 1986, principally in the private sector.
- Our summer youth employment program is number one in the nation in locally-funded jobs per capita. Last summer, we employed 21,889 young people.
- We have continued to refund our long term United States Treasury debt. During 1986, $528.3 million was refinanced which will result in a savings of $445.2 million to the taxpayers over the next 27 years. The total savings for the four refundings to date is $816.3 million.
- Another major success has been the revitalization of "Old Downtown." The area between 15th Street, Northwest and the Capitol has been transformed by shops, hotels, restaurants and office buildings. The changes began with the opening of the Washington Convention Center which is now attracting more than one million visitors per year. Changes have continued with such projects as the new free-standing Hecht's department store built on urban renewal land. Over 1,500 hotel rooms and eight million square feet of office space have been constructed.
- The Water and Sewer Enterprise Fund has reduced its retained deficit by $47.7 million to $6.0 million. The Fund will be restored to financial health in 1987 in accordance with our five year plan.

While we have accomplished a great deal during the past year, we still have several financial challenges:

- We must negotiate a resolution to our unfunded pension liability and accumulated deficit which we inherited from the Federal government.
- We must obtain a formula for calculating the Federal payment in lieu of taxes. This is particularly critical since the Gramm-Rudman-Hollings Act caused a $16.8 million reduction in this payment in 1986 and may do so in the future.
- We must continue our economic development efforts to revitalize areas outside of downtown to keep our tax base and job opportunities expanding.

My administration will not dwell on the negative aspects of problems—but identify, appraise and respond to each problem in such a manner that they will point to opportunities.

Sincerely,

Marion Barry, Jr.
Mayor

District of Columbia

Comprehensive Annual Financial Report

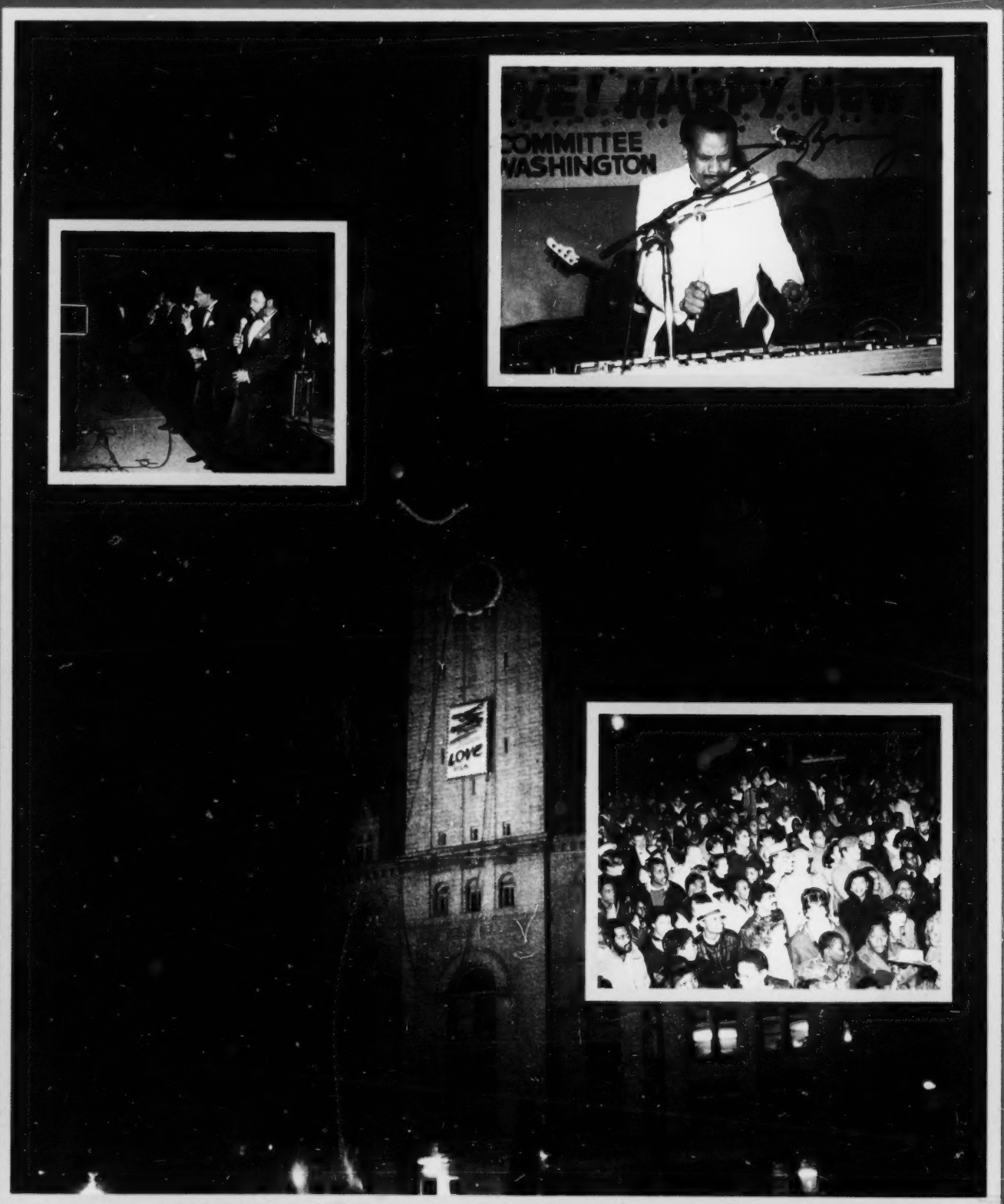
Year Ended September 30, 1986

Prepared by:

Office of the Controller
N. Anthony Calhoun
D.C. Controller
415 12th Street, NW
Washington, DC 20004

MAYOR MARION BARRY, JR.
Welcomes You
to
POTOMAC RIVERFEST 86

This section contains the table of contents, letter of transmittal, organization chart, list of principal officials and Certificate of Achievement for Excellence in Financial Reporting.



Old Post Office Building

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 1986

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DISTRICT OF COLUMBIA
OFFICE OF THE DEPUTY MAYOR FOR FINANCE
1350 PENNSYLVANIA AVENUE, NORTHWEST
WASHINGTON, DC 20004
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January 26, 1987

The Honorable Marion Barry, Jr.,
Mayor of the District of Columbia:

The Comprehensive Annual Financial Report of the District of Columbia, for the fiscal year ended September 30, 1986, is submitted herewith. This report was prepared by the Office of the D.C. Controller. Responsibility for both the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the data are accurate in all material respects, are presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds, and include all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial affairs. Note 1 in the financial section of this report presents a summary of the significant accounting policies that have been adopted by the District for preparing its financial statements.

Reporting Entity

This Comprehensive Annual Financial Report covers all funds and account groups of the District government including appropriate combined, combining and individual fund statements, notes to the financial statements, schedules, narrative explanations and statistical tables. Where it enhances communication and understanding of the financial statements, similar funds are aggregated on a functional basis within a fund type.

The criteria used in determining the scope of the entity for financial reporting purposes are manifestations of oversight (financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), scope of public service and special financing relationships. This report includes the oversight unit and all potential component units except the District of Columbia Economic Development Finance Corporation which is excluded because its appointed board members have no continuing relationship with the District; its board designates the management and has sole budgetary authority; the District cannot significantly influence the corporation's operations and is not legally or morally obligated for the corporation's debt; and the corporation controls surpluses and deficits and is responsible for fiscal management and project selection.

The Washington Metropolitan Area Transit Authority is a joint venture of Maryland, Virginia and the District, and is a separate reporting entity. The District's investment in the joint venture is included in the financial statements in this report. Note 4 in the financial section of this report presents information about the Transit Authority.

Services Provided

The District provides the full range of state, county and city services. This includes public safety (police, fire, corrections and courts), public works (transportation, sanitation and construction), social services (health, welfare and recreation), economic development (planning, housing, regulation and employment), education (schools and libraries) and general administrative services. In addition, the District operates a water and sewer utility service, a general hospital, a stadium and armory complex ("Starplex"), a convention center, a lottery and a university.

Component Unit Financial Statements

Financial statements are issued by the Public Schools, Water and Sewer, General Hospital, Convention Center, Lottery and Games, University, Unemployment Compensation, Housing Finance and Pension component units of the District. Copies of these statements may be obtained by writing to the respective organization units.

Accounting System

The District's accounting system is organized and operated on a fund basis. A fund is a group of functions combined into a separate accounting entity (corresponding to a corporation in the private sector) having its own assets, liabilities, equity, revenues and expenditures/expenses. The types of funds used are determined by generally accepted accounting principles and the number of funds established within each type is determined by sound financial administration. Specialized accounting and reporting principles and practices apply to governmental and expendable trust funds. Proprietary and pension trust funds are accounted for in the same manner as similar business enterprises or nonbusiness organizations.

Internal Control

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Control

Budgetary control is maintained at the object class and control center level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of object class and control center balances are not released until additional appropriations are made available or the overrun is approved by an authorized person. However, expenditures may not legally exceed appropriations at the functional level of classification. All appropriations and encumbrances lapse at the end of each fiscal year except for capital projects.

The District's appropriated budget is enacted on a basis not consistent with generally accepted accounting principles. The principal difference is the exclusion of interfund, gift, grant and refunding revenues and related expenditures from the appropriated budget.

General Fund

Governmental funds consist of the General Fund and the Capital Projects Fund. Operations are reported to show an *excess* or *deficiency* on a spending focus. Capital outlays, debt proceeds and principal payments are included on their operating statements. Depreciation is not charged against operations. Interest incurred during construction is not capitalized.

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund operations are summarized below ($ millions).

	1986	1985	Increase
Revenues	$2,815.1	2,633.9	181.2
Expenditures and uses	2,795.0	2,609.0	186.0
Excess	$ 20.1	24.9	(4.8)

The General Fund changes in cash and investments are summarized below ($ millions).

	1986	1985	Increase
Originations	$3,449.5	2,988.9	460.6
Applications	3,350.7	2,942.0	408.7
Increase	$ 98.8	46.9	51.9

The General Fund had an unreserved fund deficit of $229.8 million at September 30, 1986 represented by current liabilities of $676.1 million less current assets of $446.3 million. The unreserved fund deficit reported in the first complete audit for 1980 was $396.9 million.

The amount of revenues by source class and the changes from last year are shown in the following tabulation ($ millions).

Source Class	1986 Amount	Percent of Total	Percent Increase (Decrease) from 1985
Property taxes	$ 488.8	17.4%	7.4%
Sales and use taxes	433.0	15.4	7.5
Income and franchise taxes	596.0	21.2	13.6
Gross receipts taxes	93.8	3.3	2.5
Other taxes	72.9	2.6	17.4
Total taxes	1,684.5	59.9	9.7
Licenses and permits	31.9	1.1	1.6
Fines and forfeits	39.5	1.4	35.3
Charges for services	117.6	4.2	20.5
Miscellaneous	34.9	1.2	16.3
Total District sources	1,908.4	67.8	10.7
Payment in lieu of taxes	450.3	16.0	(4.5)
Revenue sharing entitlements	15.2	0.5	(13.1)
Operating grants	441.2	15.7	4.8
Total Federal sources	906.7	32.2	(0.3)
Total revenues	$2,815.1	100.0%	6.9%

The amount of tax revenues by source and the variances from budget and last year are shown in the following tabulation ($ millions).

Source	1986 Actual	Variance - Favorable (Unfavorable) From Budget	Variance - Favorable (Unfavorable) From 1985
Property taxes:			
Real	$ 437.3	(3.6)	30.0
Personal	46.8	1.1	3.3
Public space rental	4.7	0.7	0.4
Total	488.8	(1.8)	33.7
Sales and use taxes:			
General	361.0	5.0	29.3
Alcoholic beverages	6.8	(0.2)	(0.4)
Cigarette	9.3	(0.3)	(0.2)
Hotel occupancy	5.1	(1.0)	(0.8)
Motor fuel	24.3	(1.3)	(1.0)
Motor vehicle	26.5	2.5	3.4
Total	433.0	4.7	30.3
Income and franchise taxes:			
Individual income	444.8	(10.0)	27.3
Corporation franchise	116.2	7.2	34.0
Unincorporated business	35.0	4.9	10.1
Total	596.0	2.1	71.4
Gross receipts:			
Public utility	72.5	(9.7)	(3.2)
Insurance companies	21.3	0.3	0.2
Total	93.8	(9.4)	(3.0)
Other taxes:			
Inheritance and estate	28.3	3.7	3.9
Recordation	24.5	0.1	3.3
Transfer	20.1	1.2	3.6
Total	72.9	5.0	10.8
Total taxes	$1,684.5	0.6	143.2

The real property tax levy of $416.4 million in 1986 represents an increase of 6.1% over 1985. The assessed value of taxable real property of $25.0 billion in 1986 represents an increase of 6.7% over 1985. Collections of current real property taxes were 98.6% of the levy in 1986 as compared to 97.7% in 1985. Delinquent real property taxes outstanding were 3.3% of the levy in 1986 and 3.8% in 1985.

The percent of taxpayers with an annual income below $10,000 increased 0.5% between 1984 and 1985, from 29.0% to 29.5% of the total number of taxpayers. The percent of taxpayers with an annual income over $25,000 increased 0.1% during the same period, from 24.9% to 25.0%.

The assessed value of nontaxable property decreased to 47.5% of total assessed value in 1986 from 48.6% in 1985. The value of commercial construction increased 43.3% from 1985 to 1986 and the value of residential construction increased 103.5% during the same period.

There were no tax rate increases in 1986.

The amount of expenditures and uses by function and the changes from last year are shown in the following tabulation ($ millions).

Function	1986 Amount	Percent of Total	Percent Increase (Decrease) from 1985
Current expenditures:			
Governmental direction and support	$ 123.8	4.4%	2.8%
Economic development and regulation	211.0	7.6	6.5
Public safety and justice	743.2	26.6	8.5
Public education system	507.0	18.1	3.3
Human support services	875.7	31.3	12.8
Public works	238.6	8.6	3.1
Future employee benefits	(181.4)	(6.5)	(15.5)
Total	2,517.9	90.1	7.4
Debt service:			
Principal	464.3	16.6	70.0
Interest and fiscal charges	163.4	5.8	4.5
Other financing uses (sources):			
Proceeds of refunding bonds	(442.8)	(15.8)	(71.0)
Operating transfers out	92.2	3.3	(1.3)
Total expenditures and uses	$2,795.0	100.0%	7.1%

The amount of current expenditures by object class and the changes from last year are shown in the following tabulation ($ millions).

Object Class	1986 Amount	Percent of Total	Percent Increase (Decrease) from 1985
Salaries and wages	$1,052.5	41.8%	6.7%
Total employee benefits	459.8	18.3	10.4
Future employee benefits	(181.4)	(7.2)	(15.5)
Contractual services	202.4	8.0	25.0
Supplies	58.9	2.3	1.2
Occupancy	95.3	3.8	(9.8)
Public assistance	425.0	16.9	4.4
Other	405.4	16.1	10.6
Total current expenditures	$2,517.9	100.0%	7.4%

Capital Projects Fund

During 1986, grants, loans and transfers totaled $274.7 million and capital outlays were $205.0 million which resulted in an excess of $69.7 million. The capital outlays consisted of $202.3 million for general fixed assets and $2.7 million for proprietary fixed assets. The Capital Projects Fund had a reserved fund balance at the end of the year of $153.9 million.

Proceeds of general obligation bonds issued for capital projects are credited as "other financing sources" in the Capital Projects Fund. Completed projects and construction in progress at year end are recorded in the General Fixed Assets Account Group or in the proprietary fund to which they apply. Note 5 in the financial section of this report presents information about the fixed assets of the District.

Enterprise Funds

Enterprise Funds are used to account for component units engaged primarily or solely in selling goods or services to the general public on a continuing basis. Operations are reported to show a *net income* or *net loss* on a cost of services focus. Capital outlays, debt proceeds and principal payments are not included on their operating statements. The cost (including interest incurred during construction) of fixed assets acquired is capitalized and recovered through depreciation charged against operations over the life of the assets. Depreciation on fixed assets acquired by capital grants or by the University is closed to Contributed Capital and not to Retained Earnings.

The District operates six Enterprise Funds as summarized below ($ millions).

Fund	Operating Revenues	Income (Loss) Before Transfers		Operating Transfers In (Out)	
	1986	1986	1985	1986	1985
Water and Sewer	$186.1	45.3	1.8	—	—
General Hospital	53.8	(46.7)	(43.7)	48.4	45.5
Starplex	5.5	0.6	0.3	—	—
Convention Center	4.8	(8.6)	(7.6)	8.5	5.7
Lottery and Games	53.2	40.0	35.5	(40.0)	(35.5)
University	6.2	(68.5)	(70.7)	67.7	65.0
Total	$309.6	(37.9)	(84.4)	84.6	80.7

The Water and Sewer Fund supplies potable water from the Potomac River and operates a sewerage system. District waste treatment facilities process sewage for local jurisdictions in suburban Maryland and northern Virginia. The Fund had net income of $45.3 million in 1986. User charges recovered 144.1% of cost (excluding depreciation) in 1986 and 110.5% in 1985. A 25% rate increase became effective in 1986 and further 15% and 10% increases are scheduled for 1987 and 1988, respectively.

The General Hospital Fund operates the 400-bed District of Columbia General Hospital and is a major provider of health services to indigent patients. The Hospital recovered 55.6% of its cost (excluding depreciation) through user charges in 1986 and 55.6% in 1985.

The Starplex Fund operates the Robert F. Kennedy Memorial Stadium and the National Guard Armory. User charges recovered 136.9% of cost (excluding depreciation) in 1986 and 126.6% in 1985.

The Washington Convention Center is located midway between the Capitol and the White House and has 378,000 square feet of exhibit and meeting space on two levels. The Convention Center Fund recovered 45.0% of its cost (excluding depreciation) through user charges in 1986 and 48.3% in 1985.

The lottery is accounted for in the Lottery and Games Fund. The lottery had pretransfer income of $40.0 million in 1986 as compared to $35.5 million in 1985 or, 33.7% and 31.7% on gross revenues, respectively.

The University Fund includes all activities of the University of the District of Columbia which is a "land grant" institution that operates at three campuses—Van Ness Center, Mt. Vernon Square and Harvard Street. The University provides low cost, higher education courses leading to certificate, bachelor and advanced degrees in arts, sciences, teacher education and special career education. The University recovered 7.5% of its cost (excluding depreciation) through user charges in 1986 and 7.4% in 1985.

At September 30, 1986, the Enterprise Funds had combined fund equities of $583.8 million segregated into capital contributions from the Federal and District governments of $561.8 million and unreserved retained earnings of $22.0 million. The combined net income of $46.6 million in 1986 was 15.1% of operating revenues and 8.0% of fund equity.

Trust Funds

Trust Funds are used to account for property to which the District has legal title in order to administer it for the benefit of others. Expendable Trust Funds are those whose principal may be expended and are reported on a spending focus. Pension Trust Funds must preserve their principal intact and are reported on a cost of services focus.

The District operates three Trust Funds as summarized below ($ millions).

Fund	Operating Revenues	Excess/Income Before Transfers		Operating Transfers In (Out)	
	1986	1986	1985	1986	1985
Unemployment Compensation	$108.0	32.3	34.4	—	—
Housing Finance	38.5	2.4	(0.7)	1.2	0.8
Pension	399.0	220.2	141.5	(2.8)	(2.2)
Total	$545.5	254.9	175.2	(1.6)	(1.4)

The Unemployment Compensation Fund pays benefits to unemployed former employees of the District and Federal governments and private employers doing business in the District. At September 30, 1986, the Fund did not have any advances payable to the Federal government and had a reserved fund balance of $79.8 million. Advances are not general obligations of the District and are payable solely from unemployment contributions. The interest on advances is paid from the General Fund.

The Housing Finance Fund issues bonds and uses the proceeds to finance residential mortgage, construction and rehabilitation loans. The bonds are not general obligations of the District and are payable solely from defined revenues and assets of the Fund. At September 30, 1986, the Fund had loans receivable of $146.0 million, loans payable of $272.6 million and an unreserved fund deficit of $4.9 million.

The Pension Trust Funds pay benefits to retired judges, police officers, fire fighters and public school teachers under the District Retirement Program which is a contributory, defined benefits, single employer plan administered by the District. Other employees are covered by the Civil Service or Social Security systems administered by the Federal government.

The District Retirement Program was started in 1916 and operated by the Federal government on an unfunded basis. At the beginning of Home Rule in 1975, the unfunded actuarial liability of the program was $1.9 billion. In 1979, Congress enacted the Retirement Reform Act which authorized 25 annual Federal contributions of $52.1 million from 1980 through 2004. The present value of these contributions in 1975 was $486.8 million or 25.6% of the unfunded actuarial liability at that date.

The District's annual contribution to the Pension Trust Funds mandated by the Retirement Reform Act is primarily on a pay-as-you-go basis through 2004. At September 30, 1986, accrued pension costs (normal cost plus interest less contributions) since 1975 were $1.9 billion or $2,963 per capita and the unfunded actuarial liability was $3.4 billion or $5,489 per capita. Accrued pension costs are recorded as a general long term liability.

The Pension Trust Funds' assets are 29.9% of the present value of the total accumulated benefit obligation. The unfunded actuarial liability is 945.5% of the covered payroll. This is based upon the following actuarial assumptions: return on investments of 7% a year, salary inflation increases of 5% a year, salary merit increases of 4% a year, and postretirement benefit increases of 5% a year.

It is estimated that the unfunded actuarial liability at September 30, 2004 will be $12.9 billion. In 2005, the District's annual contribution to the Pension Trust Funds will increase to normal cost plus interest. It is projected that the contribution in 2005 will be $794.6 million, the payroll will be $803.4 million, and the General Fund revenues will be $7 billion. The contribution will increase from 48.6% of covered payroll in 1986 to 98.9% in 2005 and from 6.3% of revenues to 11.4%.

Debt Administration

The following tablulation presents the total general obligation debt of the District at September 30, 1986 and 1985 ($ millions). There is no revenue, special assessment or overlapping debt.

Fund Type or Account Group	1986	1985
Enterprise notes	$ 114.9	222.7
General notes	917.0	1,373.5
Enterprise bonds	182.4	55.5
General bonds	1,035.1	407.8
Total	$2,249.4	2,059.5

The percent of debt to assessed value (which equals estimated actual value) and the amount of debt per capita are useful indicators of the District's debt position. These data for the District at the end of 1986 and 1985 were as follows.

Indicator	1986	1985
Debt to assessed value	9.0%	8.8%
Debt per capita	$3,593	3,290

Through 1984, the District issued general obligation notes for authorized capital projects to the Treasury of the United States. The rate of interest on the notes reflected the cost of money to the Treasury for borrowing at a maturity approximately equal to the period of time the loan was to be outstanding.

During 1986, the District issued $550.6 million of general obligation bonds to the general public to refund general obligation notes in the amount of $528.3 million. The interest rates on the refunding bonds are from 4.75% to 7.88%. The rates on the refunded notes were from 8.37% to 12.25%.

The District also issued $212.5 million of twenty-year general obligation serial and term bonds for capital projects with interest rates from 4.60% to 8.00%.

The long term general obligation debt issued during the year did not exceed the legal debt limitation contained in the Charter. Note 6 in the financial section of this report presents more detailed information about the debt position of the District.

The District has issued private activity bonds which do not constitute an indebtedness of the District and are not a charge against its general credit or taxing powers. The principal and interest are payable solely from revenues of the respective industries to which these bond proceeds were remitted. The amount of bonds outstanding at year end is not reported in the accompanying financial statements.

The District issued general obligation tax revenue anticipation notes in the amount of $150 million dated October 1, 1985 and due on September 30, 1986 with interest at 5.75% priced to yield 5.55%. The principal and interest were paid on the maturity date by the General Fund.

Cash Management

Cash from all funds is combined unless prohibited by law. Any cash that is not needed for immediate disbursement is used to purchase securities in which the District is permitted to invest. The District earned $23.8 million on its average cash and investments in 1986 and $23.6 million in 1985, rates of return of 7.2% and 12.1%, respectively, exclusive of fiduciary funds.

Summary Reports

The Summary of Changes in Cash and Investments (Exhibit S-15) of governmental and expendable trust funds corresponds to the Combined Statement of Changes in Financial Position (Exhibit 5) of proprietary and pension trust funds. The Summary of Financial Activity (Exhibit S-16) of governmental, expendable trust and proprietary funds is a one-page report combining operating performance on a cost of services focus with financial performance. It provides information that can be helpful to users in making economic decisions.

Independent Audit

District law (D.C. Code 47-119) requires an annual audit of the financial operations of the District government by an independent certified public accountant. The audit must be conducted in accordance with generally accepted auditing standards and the financial statements must be prepared in conformity with generally accepted accounting principles. This requirement has been complied with and the auditor's opinion has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District of Columbia for its Comprehensive Annual Financial Report for the year ended September 30, 1985. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

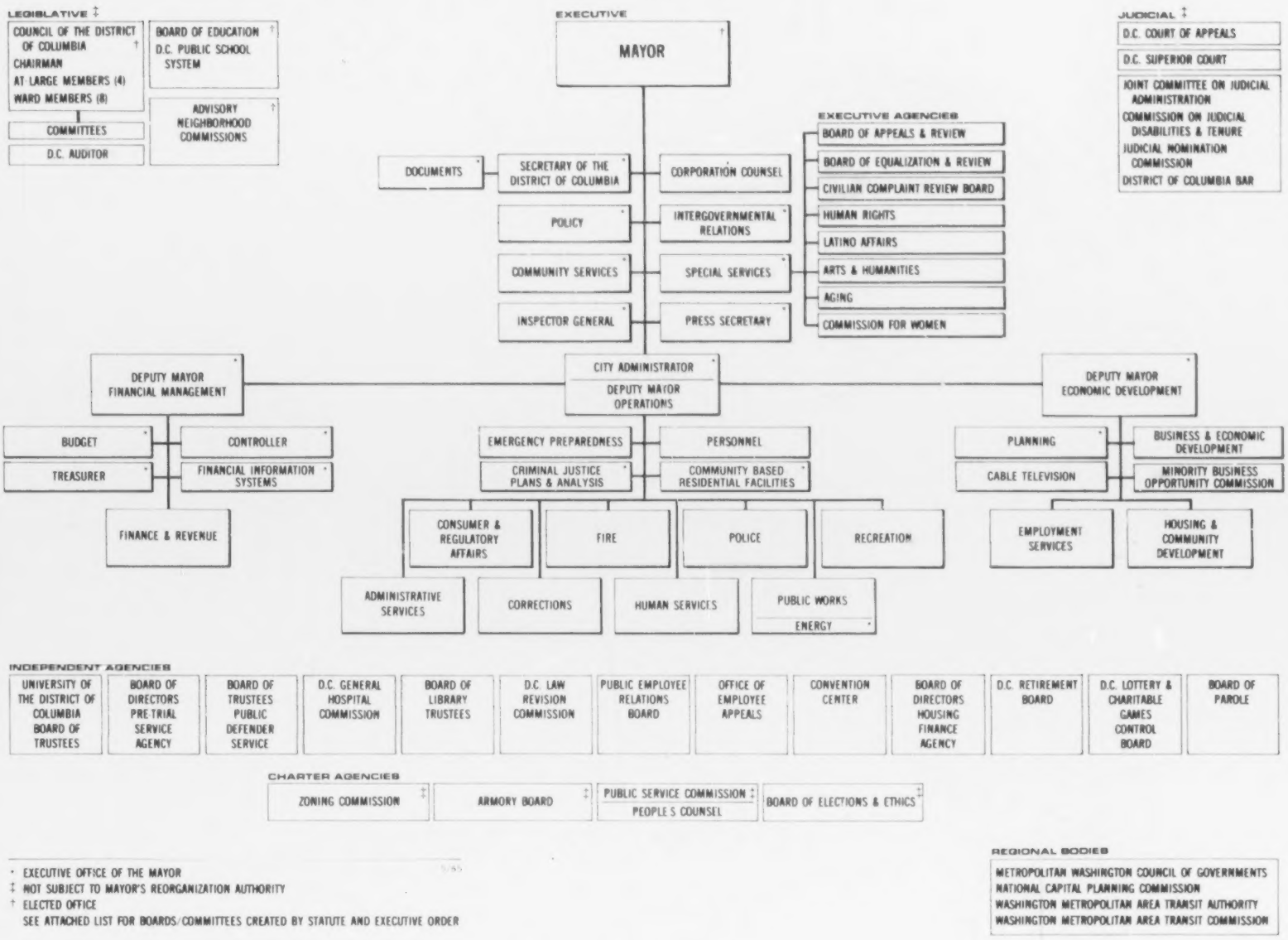
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Controller's Office. I would like to express my appreciation to all members of the staff who assisted and contributed to its preparation. I would also like to thank the Mayor and members of the Council for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,

N. Anthony Calhoun

N. Anthony Calhoun
D.C. Controller

ORGANIZATION CHART



* EXECUTIVE OFFICE OF THE MAYOR
‡ NOT SUBJECT TO MAYOR'S REORGANIZATION AUTHORITY
† ELECTED OFFICE
SEE ATTACHED LIST FOR BOARDS/COMMITTEES CREATED BY STATUTE AND EXECUTIVE ORDER

REGIONAL BODIES

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NATIONAL CAPITAL PLANNING COMMISSION
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

PRINCIPAL OFFICIALS

January 2, 1987

Name	Position	Term Expires
Chief Executive Officer		
Marion Barry, Jr.	Mayor	1991
Council		
David A. Clarke	Chairman	1991
Betty Ann Kane	At Large	1991
Hilda H. Mason	At Large	1991
John L. Ray	At Large	1989
Carol Schwartz	At Large	1989
Frank Smith, Jr.	Ward 1	1991
John A. Wilson	Ward 2	1989
James E. Nathanson	Ward 3	1991
Charlene Drew Jarvis	Ward 4	1989
Harry L. Thomas	Ward 5	1991
Nadine P. Winter	Ward 6	1991
H. R. Crawford	Ward 7	1989
Wilhelmina J. Rolark	Ward 8	1989
Chief Judges		
William C. Pryor	Court of Appeals	1988
Fred B. Ugast	Superior Court	2000
House of Representatives		
Walter E. Fauntroy	Delegate	1989
Executive Officers		
Thomas M. Downs	City Administrator/Deputy Mayor for Operations Deputy Mayor for Finance	
Carol B. Thompson	Deputy Mayor for Economic Development	
James R. Murphy	Corporation Counsel (acting)	
David E. Rivers	Secretary of the District of Columbia (acting)	
N. Anthony Calhoun	Controller	
Melvin W. Jones	Finance and Revenue Director	
Richard C. Siegel	Budget Director (acting)	
Vernon S. Gill	Inspector General	

Certificate of Achievement for Excellence in Financial Reporting

Presented to

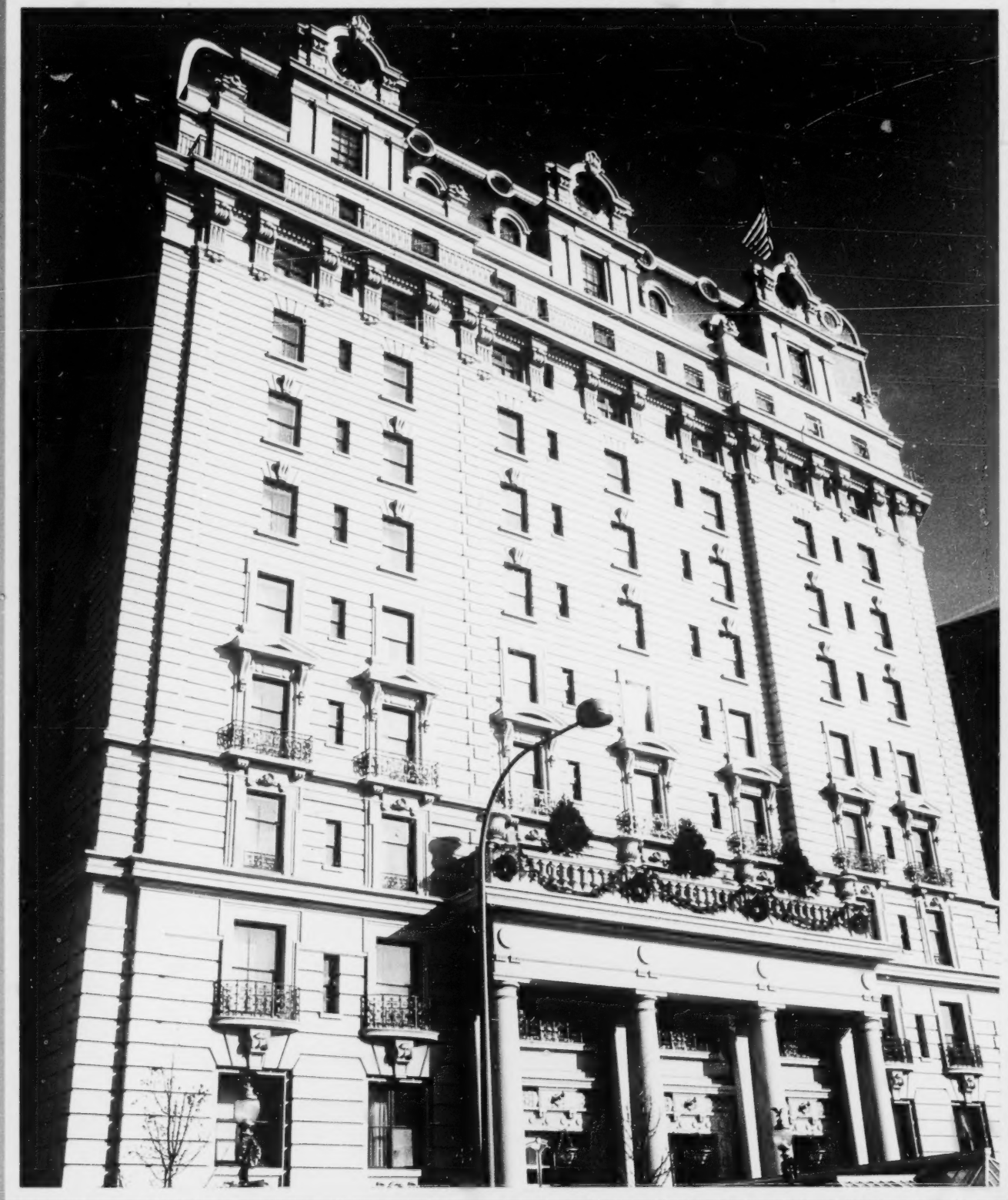
District of Columbia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1985

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.

Betty Jo Harker
President

Jeffrey L. Esser
Executive Director



Restored Willard Hotel

This section contains two subsections: General Purpose Financial Statements and Combining and Individual Fund Statements and Schedules.

These basic financial statements provide a summary overview of the financial position of all fund types and account groups and of the operating results of all fund types.

A SEASON OF SONG
A SEASON OF SONG
A SEASON OF SONG
A SEASON OF SONG
DOWNTOWN · HOLIDAYS

BERT W. SMITH, JR., & CO. | Coopers & Lybrand | Hill, Taylor & Co.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

To the Mayor and Council
of the District of Columbia:

We have examined the general purpose financial statements of the District of Columbia as of and for the year ended September 30, 1986, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the general purpose financial statements referred to above present fairly the financial position of the District of Columbia at September 30, 1986, and the results of its operations and the changes in financial position of its proprietary fund types and pension trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the District of Columbia. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bert W. Smith Jr & Co

Hill Taylor & Co

Coopers & Lybrand

1800 M Street, NW
Washington, DC 20036
January 23, 1987

Exhibit 1

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

September 30, 1986
($000s)

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Capital Projects	Enterprise (Note 8)	Trust and Agency (Note 9)	General Fixed Assets	General Long Term Liabilities	1986	1985
ASSETS								
Current Assets:								
Cash and investments	$192,504	163,190	69,011	—	—	—	424,705	241,190
Receivables (net of allowances for uncollectibles)	135,199	—	63,053	—	—	—	198,252	182,992
Due from Federal government (note 2)	87,239	22,072	11,371	—	—	—	120,682	111,131
Due from other funds (note 3)	11,000	—	—	—	—	—	11,000	42,308
Inventory	18,754	—	11,397	—	—	—	30,151	22,526
Other current assets	1,646	—	5,391	—	—	—	7,037	4,855
Total current assets	446,342	185,262	160,223	—	—	—	791,827	605,002
Long Term Assets:								
Due from other governments	—	—	18,557	—	—	—	18,557	18,557
Advance to other funds (note 3)	4,868	—	—	—	—	—	4,868	4,002
Deferred charges	—	—	3,655	—	—	—	3,655	1,390
Total long term assets	4,868	—	22,212	—	—	—	27,080	23,949
Fixed Assets (Note 5):								
Property and equipment	—	—	1,076,204	—	3,117,125	—	4,193,329	3,959,815
Less - accumulated depreciation	—	—	264,446	—	1,099,118	—	1,363,564	1,263,749
Net fixed assets	—	—	811,758	—	2,018,007	—	2,829,765	2,696,066
Restricted Assets:								
Cash and investments	—	—	—	1,132,089	—	—	1,132,089	835,580
Due from Federal government (note 2)	—	—	—	560,736	—	—	560,736	575,917
Due from other funds (note 3)	—	—	—	15,186	—	—	15,186	14,649
Due from others (net of allowances for uncollectibles)	—	—	—	186,692	—	—	186,692	129,865
Total restricted assets	—	—	—	1,894,703	—	—	1,894,703	1,556,011
Resources to be provided in future years	—	—	—	—	—	3,945,905	3,945,905	3,594,250
Total assets	**$451,210**	**185,262**	**994,193**	**1,894,703**	**2,018,007**	**3,945,905**	**9,489,280**	**8,475,278**

The accompanying notes are an integral part of this statement.

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Capital Projects	Enterprise (Note 8)	Trust and Agency (Note 9)	General Fixed Assets	General Long Term Liabilities	1986	1985
LIABILITIES AND FUND EQUITY								
Current Liabilities:								
Accounts payable	$181,982	24,250	35,090	—	—	—	241,322	186,616
Compensation liabilities	90,865	—	20,225	—	—	—	111,090	109,600
Due to Federal government (note 2)	64,002	—	18,887	—	—	—	82,889	144,250
Due to other funds (note 3)	15,186	—	11,000	—	—	—	26,186	56,957
Accrued liabilities	125,652	—	5,574	—	—	—	131,226	102,782
Deferred revenues	179,295	7,156	10,748	—	—	—	197,199	160,168
Current maturities	—	—	4,716	—	—	—	4,716	1,455
Other current liabilities	19,109	—	8,336	—	—	—	27,445	17,733
Total current liabilities	676,091	31,406	114,576	—	—	—	822,073	779,561
Long Term Liabilities:								
Due to Federal government (note 2)	—	—	108,845	—	—	917,050	1,025,895	1,589,698
Advance from other funds (note 3)	—	—	—	4,868	—	—	4,868	4,002
General obligation bonds payable (note 6)	—	—	178,068	—	—	1,035,146	1,213,214	462,175
Other long term liabilities (note 6)	—	—	8,906	—	—	1,993,709	2,002,615	1,822,281
Total long term liabilities	—	—	295,819	4,868	—	3,945,905	4,246,592	3,878,156
Liabilities Payable from Restricted Assets:								
Due to others	—	—	—	388,992	—	—	388,992	304,521
Total liabilities	**676,091**	**31,406**	**410,395**	**393,860**	**—**	**3,945,905**	**5,457,657**	**4,962,238**
Commitments and Contingent Liabilities (Notes 11 and 12)								
Fund Equity:								
Contributed capital (note 5)	—	—	561,759	—	—	—	561,759	560,951
Investment in general fixed assets (note 5)	—	—	—	—	2,018,007	—	2,018,007	1,896,771
Retained earnings (deficit) since October 1, 1978	—	—	22,039	—	—	—	22,039	(31,403)
Fund balances:								
Reserved for:								
Long term assets	4,868	—	—	—	—	—	4,868	4,002
Encumbrances	—	153,856	—	—	—	—	153,856	84,167
Net restricted assets	—	—	—	1,505,711	—	—	1,505,711	1,251,490
Unreserved (deficit)	(229,749)	—	—	(4,868)	—	—	(234,617)	(252,938)
Total retained earnings/fund balances (deficit) (note 7)	(224,881)	153,856	22,039	1,500,843	—	—	1,451,857	1,055,318
Total fund equity (deficit)	**(224,881)**	**153,856**	**583,798**	**1,500,843**	**2,018,007**	**—**	**4,031,623**	**3,513,040**
Total liabilities and fund equity	**$451,210**	**185,262**	**994,193**	**1,894,703**	**2,018,007**	**3,945,905**	**9,489,280**	**8,475,278**

Exhibit 2

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended September 30, 1986
($000s)

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Capital Projects	Expendable Trust	1986	1985
Revenues:					
Taxes	$1,684,535	—	—	1,684,535	1,536,027
Licenses and permits	31,850	—	—	31,850	31,460
Fines and forfeits	39,528	—	—	39,528	29,214
Charges for services	117,585	—	—	117,585	97,576
Benefit contributions	—	—	107,966	107,966	104,631
Miscellaneous	34,897	—	38,473	73,370	49,441
Intergovernmental (note 10)	906,686	73,139	—	979,825	963,045
Total revenues	2,815,081	73,139	146,439	3,034,659	2,811,394
Expenditures:					
Current:					
Governmental direction and support	123,759	—	—	123,759	120,473
Economic development and regulation	211,038	—	36,096	247,134	218,432
Public safety and justice	743,224	—	—	743,224	685,091
Public education system	507,003	—	—	507,003	490,561
Human support services	875,757	—	75,691	951,448	846,566
Public works	238,624	—	—	238,624	231,503
Add (less) - employee benefits recorded as other long term liabilities	(181,402)	—	—	(181,402)	(156,987)
Capital outlays	—	204,968	—	204,968	186,884
Debt service:					
Principal	464,261	—	—	464,261	273,118
Interest and fiscal charges	163,370	—	—	163,370	156,260
Total expenditures	3,145,634	204,968	111,787	3,462,389	3,051,901
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(330,553)	(131,829)	34,652	(427,730)	(240,507)
Other Financing Sources (Uses):					
Proceeds of general obligation bonds	442,810	192,382	—	635,192	407,750
Operating transfers in (out)	(92,204)	9,136	1,234	(81,834)	(78,490)
Total other financing sources (uses)	350,606	201,518	1,234	553,358	329,260
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	**20,053**	**69,689**	**35,886**	**125,628**	**88,753**
Fund Balances (Deficit) at Beginning of Year	**(244,934)**	**84,167**	**47,887**	**(112,880)**	**(201,633)**
Fund Balances (Deficit) at End of Year	**$ (224,881)**	**153,856**	**83,773**	**12,748**	**(112,880)**

The accompanying notes are an integral part of this statement.

Exhibit 3

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND RECONCILIATION OF BUDGETARY BASIS WITH GAAP BASIS

Year Ended September 30, 1986 ($000s)

	Appropriated Budget	Appropriated Actual	Variance-Favorable (Unfavorable)	Nonappropriated Actual
Revenues:				
Taxes	$1,683,970	1,684,535	565	—
Licenses and permits	32,297	31,850	(447)	—
Fines and forfeits	36,504	39,528	3,024	—
Charges for services	36,292	36,496	204	81,089
Miscellaneous	24,587	29,634	5,047	5,263
Intergovernmental	465,498	465,498	—	441,188
Total revenues	2,279,148	2,287,541	8,393	527,540
Expenditures:				
Current:				
Governmental direction and support	105,830	106,629	(799)	17,130
Economic development and regulation	103,593	94,466	9,127	116,572
Public safety and justice	571,654	582,742	(11,088)	160,482
Public education system	448,032	447,355	677	59,648
Human support services	567,560	564,982	2,578	310,775
Public works	197,739	196,104	1,635	42,520
Unallocated addition (rescission)	(19,423)	—	(19,423)	—
Employee benefits addition (deduction)	—	—	—	(181,402)
Total current	1,974,985	1,992,278	(17,293)	525,725
Debt service:				
Principal	41,883	41,883	—	422,378
Interest and fiscal charges	140,210	176,866	(36,656)	(13,496)
Total expenditures	2,157,078	2,211,027	(53,949)	934,607
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	122,070	76,514	(45,556)	(407,067)
Other Financing Sources (Uses):				
Proceeds of general obligation bonds	—	—	—	442,810
Operating transfers in (out)	(102,070)	(102,005)	65	9,801
Total other financing sources (uses)	(102,070)	(102,005)	65	452,611
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES (BUDGETARY BASIS)	20,000	(25,491)	(45,491)	45,544
To adjust for nonappropriated actual	—	45,544	45,544	(45,544)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES (GAAP BASIS)	**$ 20,000**	**20,053**	**53**	**—**

The accompanying notes are an integral part of this statement.

Exhibit 4

ALL PROPRIETARY FUND TYPES AND PENSION TRUST FUNDS

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES

Year Ended September 30, 1986
($000s)

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise (Note 8)	Pension Trust	1986	1985
Operating Revenues:				
Charges for services	$309,613	—	309,613	259,765
Benefit contributions	—	202,875	202,875	189,732
Miscellaneous	—	195,791	195,791	119,673
Total operating revenues	309,613	398,666	708,279	569,170
Operating Expenses:				
Personal services	171,168	—	171,168	166,625
Contractual services	60,175	—	60,175	63,630
Supplies	27,753	—	27,753	27,910
Occupancy	29,515	—	29,515	30,045
Depreciation	23,680	—	23,680	22,205
Benefit payments	—	178,445	178,445	167,946
Miscellaneous	25,403	—	25,403	25,582
Total operating expenses	337,694	178,445	516,139	503,943
OPERATING INCOME (LOSS)	(28,081)	220,221	192,140	65,227
Nonoperating Revenues (Expenses):				
Intergovernmental (note 10)	6,095	—	6,095	5,678
Interest and fiscal charges	(20,104)	—	(20,104)	(17,713)
Miscellaneous	4,141	—	4,141	3,909
Total nonoperating revenues (expenses)	(9,868)	—	(9,868)	(8,126)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(37,949)	220,221	182,272	57,101
Operating transfers in (out)	84,586	(2,752)	81,834	78,490
NET INCOME	**46,637**	**217,469**	**264,106**	**135,591**
Depreciation closed to Contributed Capital	6,805	—	6,805	6,491
INCREASE IN RETAINED EARNINGS/FUND BALANCES	**53,442**	**217,469**	**270,911**	**142,082**
Retained Earnings/Fund Balances (Deficit) at Beginning of Year	**(31,403)**	**1,199,601**	**1,168,198**	**1,026,116**
Retained Earnings/Fund Balances at End of Year	**$ 22,039**	**1,417,070**	**1,439,109**	**1,168,198**

The accompanying notes are an integral part of this statement.

Exhibit 5

ALL PROPRIETARY FUND TYPES AND PENSION TRUST FUNDS

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended September 30, 1986
($000s)

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise (Note 8)	Pension Trust	1986	1985
Sources of Cash:				
Operations:				
Income (loss) before operating transfers	$ (37,949)	220,221	182,272	57,101
Item not requiring cash -				
Depreciation	23,680	—	23,680	22,205
Working capital provided (required)	(14,269)	220,221	205,952	79,306
Increase (decrease) in current/restricted liabilities:				
Accounts payable	(7,010)	—	(7,010)	7,759
Compensation liabilities	1,531	—	1,531	2,152
Due to Federal government	(12,718)	—	(12,718)	(2,434)
Due to other funds	(31,308)	—	(31,308)	4,308
Accrued liabilities	3,565	—	3,565	2,009
Deferred revenues	5,638	—	5,638	900
Current maturities	3,261	—	3,261	1,455
Other current liabilities	3,107	—	3,107	229
Due to others	—	12,368	12,368	4,717
Decrease (increase) in current/restricted assets:				
Receivables	1,184	—	1,184	(10,467)
Due from Federal government	(3,650)	15,406	11,756	12,426
Due from other funds	—	(338)	(338)	141
Inventory	(4,060)	—	(4,060)	(899)
Other current assets	(1,601)	—	(1,601)	25
Due from others	—	(2,829)	(2,829)	(41)
Cash provided (required)	(56,330)	244,828	188,498	101,586
Other sources of cash:				
Deduction of long term assets	245	—	245	30
Disposition of fixed assets	3,614	—	3,614	68
Proceeds of long term liabilities	127,968	—	127,968	65,177
Contribution of capital	7,613	—	7,613	106,362
Operating transfers in	124,586	—	124,586	116,172
Total sources of cash	207,696	244,828	452,524	389,395
Uses of Cash:				
Addition of long term assets	2,510	—	2,510	—
Acquisition of fixed assets	39,757	—	39,757	142,860
Payment of long term liabilities	112,053	—	112,053	40,414
Operating transfers out	40,000	2,752	42,752	37,682
Total uses of cash	194,320	2,752	197,072	220,956
INCREASE IN CASH AND INVESTMENTS	**13,376**	**242,076**	**255,452**	**168,439**
Cash and Investments at Beginning of Year	**55,635**	**626,781**	**682,416**	**513,977**
Cash and Investments at End of Year	**$ 69,011**	**868,857**	**937,868**	**682,416**

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

September 30, 1986

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles. A summary of the more significant accounting policies follows.

A. REPORTING ENTITY AND SERVICES PROVIDED

Article I, Section 8, Clause 17 of the United States Constitution adopted September 17, 1787 states, "The Congress shall have the power. . .to exercise exclusive legislation in all cases whatsoever, over such district (not exceeding ten miles square) as may, by cession of particular States, and the acceptance of Congress, become the seat of the government of the United States. . ." The District of Columbia was created July 16, 1790 and became the Nation's Capital December 1, 1800. Congress granted the District a Charter which went into effect on January 2, 1975 (the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198, approved December 24, 1973). The District is a municipal corporation which operates under an elected Mayor-Council form of government. An act of the Council, other than a budget request act, becomes a law unless it is disapproved by Congress and the President after it is adopted. Citizens of the District have the right to vote for President and Vice President of the United States but not for members of Congress. The District has an elected nonvoting delegate to the United States House of Representatives. The judges of the District courts are appointed by the President with the advice and consent of the Senate. Felonies committed in the District are prosecuted by the United States Attorney and court orders are carried out by the United States Marshall.

The criteria used in determining the scope of the entity for financial reporting purposes are manifestations of oversight (financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), scope of public service and special financing relationships. The accompanying financial statements include the oversight unit and all potential component units except the District of Columbia Economic Development Finance Corporation. The corporation is excluded because the appointed board members have no continuing relationship with the District; the board designates the management and has sole budgetary authority; the District cannot significantly influence the corporation's operations and is not legally or morally obligated for the corporation's debt; and the corporation controls surpluses and deficits and is responsible for fiscal management and project selection.

The District provides the following state, county and city services: public safety (police, fire, corrections and courts), public works (transportation, sanitation and construction), social services (health, welfare and recreation), economic development (planning, housing, regulation and employment), education (schools and libraries) and general administrative services. In addition, the District operates a water and sewer utility service, a general hospital, a stadium and armory complex ("Starplex"), a convention center, a lottery and a university.

B. BASIS OF PRESENTATION

The accounts of the District are organized in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent. The various funds are grouped, in the accompanying financial statements, into three fund categories and four fund types as follows.

Governmental Funds

The **General Fund** is used to account for all financial resources except those required to be accounted for in another fund. Principal and interest payments on general long term debt of the District are accounted for in the General Fund.

The **Capital Projects Fund** is used to account for the purchase or construction of fixed assets which are wholly or partly financed by capital grants or general long term debt.

Proprietary Funds

Enterprise Funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the costs (including depreciation) of providing goods or services primarily or solely to the general public on a continuing basis are or could be financed or recovered primarily through user charges.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include Expendable Trust, Pension Trust, and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

The **General Fixed Assets Account Group** is used to account for all fixed assets other than those used by proprietary funds.

The **General Long Term Liabilities Account Group** is used to account for long term liabilities intended to be financed from the General Fund.

C. MEASUREMENT FOCUS

The accounting and reporting treatment applied to the fixed assets and long term liabilities associated with a fund is determined by its measurement focus as follows.

Governmental funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus which means that the acquisition and disposition of fixed assets and the proceeds and payment of long term debt are included on their operating statements which present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in working capital.

Proprietary funds and Pension Trust Funds are accounted for on a cost of services or "capital maintenance" measurement focus which means that the acquisition and disposition of fixed assets and the proceeds and payment of long term debt are included on their balance sheets and not on their operating statements which present increases (revenues) and decreases (expenses) in net income.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. Governmental funds, Expendable Trust Funds and Agency Funds use the "modified" accrual basis and proprietary funds and Pension Trust Funds use the accrual basis as follows.

Revenue Recognition

Revenues of governmental funds and Expendable Trust Funds are recognized when they become available and measurable. Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Measurable means ascertainable or estimable.

The property tax year is from July 1 to June 30. Real property taxes are levied on July 1 and are payable in two installments on September 15 and March 31. Personal property taxes are due in full on July 31. The District recognizes as revenues in its fiscal year ending September 30, 75% of the property taxes levied on July 1 of the prior year and 25% of the property taxes levied on July 1 of the current year, provided they are available. Real property taxes attach as an enforceable lien on property as of July 1 of the year after levy. Sales taxes are recognized as revenues when collected by merchants and income taxes when withheld by employers. Taxpayer-assessed taxes on income of individuals, corporations and unincorporated businesses, other taxes, fees, fines and charges are recognized as revenues when cash is received. Interest is recognized through the passage of time.

Allowances for taxes that will ultimately be uncollectible are estimated and recorded as reductions of revenues. Delinquent taxes incur interest and penalty charges which continue to accumulate until paid in full. Such amounts are billed and recorded as revenue. Costs incurred by the District in converting delinquent taxes into tax liens are added to the taxes receivable from delinquent taxpayers. Anticipated refunds of taxes are estimated based upon previous experience and are recorded as liabilities and reductions of revenues.

Interfund transactions that would be treated as revenues and expenditures or expenses if they involved organizations external to the District are accounted for as revenues and expenditures or expenses in the funds involved.

Operating transfers, which are legally authorized transfers from a fund receiving revenues to the fund through which the revenues are to be spent, are recognized when the interfund receivables and payables arise.

Payments in lieu of taxes and revenue sharing entitlements are recognized as revenues in the year for which they are appropriated or awarded, respectively. Grants are recognized as revenues when the related costs are incurred. Grants that are collected before the related costs have been incurred are reported as deferred revenues. Probable disallowances of grant expenditures are estimated and accrued. Intergovernmental revenues are recorded in the fund financed.

Revenues of proprietary funds and Pension Trust Funds are recognized when they are earned and become measurable. Earned means collectible from sales of goods and services or the passage of time. Allowances for uncollectible accounts are estimated and recorded as expenses.

Expenditure and Expense Recognition

Expenditures are costs incurred to acquire goods and services. Expenses are expired costs of using goods and services. Expenditures and expenses are recognized when the liability is incurred, if measurable. Expenditures exclude amounts represented by liabilities which are not payable within one year or whose liquidation is reasonably not expected to require the use of current assets. Such noncurrent liabilities are debited to Resources To Be Provided In Future Years and credited to Other Long Term Liabilities in the General Long Term Liabilities Account Group.

District employees who are subject to the Fair Labor Standards Act earn overtime leave (compensatory time off) at a rate of one and one-half hours for each hour of overtime. Overtime leave accumulates on a weekly basis and is fully vested when earned. Accumulated overtime leave cannot exceed 240 hours (480 hours for safety employees) and any excess hours are paid in cash. An accrual has been provided which records (at current pay rates) the amount of accumulated overtime leave as a current liability in the paying fund.

District employees earn annual leave (vacation) with pay at the rate of 13 days per year, 20 days per year after 3 years of service, and 26 days per year after 15 years of service. Annual leave accumulates on a biweekly basis and is fully vested when earned. Accumulated annual leave cannot exceed 30 days at the end of any calendar year and any leave in excess of this amount expires. An accrual has been provided which reasonably estimates (at current pay rates) the amount of accumulated annual leave. The portion of the accrual which is paid or expires during the fourth quarter of the calendar year is recorded as a current liability in the paying fund. The remainder of the accrual is recorded as Other Long Term Liabilities.

District employees are entitled to sick leave with pay at the rate of 13 days per year. Sick leave accumulates on a biweekly basis without limitation and does not vest. Unused sick leave is credited at the rate of 22 days equal one month of service at the time of retirement and is added to years of service to increase the retirement annuity. No liability for accumulated sick leave is recognized and the expenditure is recorded in the fiscal year in which the sick leave is taken.

Unpaid interest incurred on general obligation debt is recorded as a current liability in the paying fund. Fiscal charges comprise bond discount and issuance costs. Bond discount is the excess of the face value of a bond issue over the price for which it is sold. Issuance costs are fees for underwriting, accounting, insurance, legal, printing and other services rendered in connection with the issuance of bonds. Fiscal charges incurred by governmental funds are charged as debt service. Fiscal charges incurred by proprietary funds are capitalized as deferred charges and amortized as fiscal charges over the life of the bond issue.

Loss contingencies may arise from the risk of uncollectibility of receivables, refundability of tax and grant revenues, claims, judgments and property losses. A loss contingency is accrued when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A loss contingency is not accrued, but is disclosed in the notes to the financial statements, if it is possible but not probable or, if the amount cannot be reasonably estimated. A loss contingency is not accrued or disclosed if it is remote (except for guarantees of indebtedness of others).

Loans by a fund to another fund are not expenditures or expenses to the paying fund and are not revenues to the receiving fund. Portions of the loans which are due within one year are reported as Due From or To Other Funds. Portions of the loans which are due after one year are reported as Advance To or From Other Funds. The fund balance is "reserved for long term assets" to indicate the portion that is not available for expenditure within one year.

E. BUDGETING AND BUDGETARY CONTROL

Budgetary Procedures

The District followed these procedures in establishing the budgetary data for the General Fund reflected in the budgetary statement (Exhibit 3).

1. *Proposal*—On February 1, 1985, the Mayor submited to the Council a proposed operating and capital budget for the fiscal year commencing October 1, 1985. The operating budget included proposed expenditures and the means of financing them.
2. *Projects*--The capital budget was prepared on a "project length basis" under which the total outlay was estimated for the length of each project to be started in the fiscal year. The capital budget was authorized by Congress subject to the approval of a financing plan for each project by the Council through the passage of a resolution. A budgetary comparison for the Capital Projects Fund could not be presented in the budgetary statement because the capital budget was not legally enacted on an "annual period basis."
3. *Adoption*—Public hearings were conducted by the Council to obtain taxpayer comments on the proposed budget. On March 19, 1985, the budget was adopted by the Council through passage of a budget request act. (The Council may not adopt any budget in which expenditures and other financing uses exceed revenues and other financing sources for the District government as a whole.)
4. *Approval*—On April 10, 1985, the Mayor approved the adopted budget and forwarded it to the President of the United States for review. (The Mayor may not forward any budget which is not balanced.)
5. *Appropriation*—On April 15, 1985, the President submitted the reviewed budget to Congress which conducted public hearings and enacted the budget and the authorized Federal payment in lieu of taxes through passage of an appropriation law on December 19, 1985. Any revisions that alter the total expenditures of any function must be approved by Congress. The budgeted amounts in the budgetary statement include a supplemental appropriation law enacted by Congress on October 18, 1986.
6. *Amendment*—Budgeted amounts may not be transferred between organizational units or between object categories within the same organizational unit except in accordance with the Reprogramming Policy Act (D.C. Code 47-361). The budgeted amounts in the budgetary statement include all reprogrammings approved during the fiscal year.
7. *Allocation*—Allocation by agency, control center and object class is employed as a management control device but is not part of the appropriated budget. The Mayor has the power and duty to apportion appropriations during the fiscal year so as to prevent a deficiency.
8. *Compliance*—"Appropriated actual" expenditures and uses may not legally exceed "appropriated budget" expenditures and uses at the function level of classification. Any variance between budget and actual is shown in the budgetary statement.

Budgetary Basis

The legal authorization granted by Congress to incur obligations for specific purposes (the "appropriation") is enacted on a basis not consistent with generally accepted accounting principles (GAAP). The General Fund budgetary statement includes a reconciliation of the "Excess of revenues over expenditures and other uses" on the budgetary basis with the "Excess of revenues over expenditures and other uses" on the GAAP basis. The significant differences between the budgetary basis and the GAAP basis are the following.

1. *Offsets*—The budgetary basis excludes expenditures financed by interfund charges for services, private gifts, intergovernmental grants and refunding bonds. The GAAP basis includes all revenues from whatever source derived and both appropriation and nonappropriation expenditures.
2. *Benefits*—The budgetary basis includes vacation, disability and pension expenditures when they are due. The GAAP basis includes such expenditures when they are incurred and then excludes the portions which are long term liabilities.
3. *Inventory*—The budgetary basis records supplies as expenditures when they are purchased. The GAAP basis records supplies as expenditures when they are used or sold.

Encumbrances

Encumbrances are commitments to acquire goods and services. The recording of purchase orders and contracts in order to reserve that portion of the applicable appropriation is employed as an extension of allocation in the General and Capital Projects Funds. All appropriations and encumbrances lapse at the end of each fiscal year except for capital projects. The fund balance is "reserved for encumbrances" to indicate the portion that is available for expenditure upon vendor performance.

F. CASH AND INVESTMENTS

Cash from all funds is combined unless prohibited by law. Any cash which is not needed for immediate disbursement is used to purchase investments. The equity in the pooled cash and investments is accounted for as part of the fund to which it belongs. Governmental and proprietary fund investments are stated at the lower of cost or market and fiduciary fund investments are stated at market with accrued interest. Investments are not expenditures or expenses when purchased and are not revenues when sold. Gains or losses are recorded as miscellaneous revenues.

Pooled cash may be invested directly or through repurchase agreements in obligations of the United States or its agencies which are fully guaranteed by the Federal government and in certificates of deposit which are issued by Federally insured banks. Investments may not be held for more than 91 days. The market value of securities collateralizing deposits or underlying repurchase agreements is at least equal to the amount of cash deposited or invested. All securities are held by the District or by its agent in the District's name.

G. INVENTORY

Inventory of supplies on hand is stated at the lower of cost (first-in, first-out) or market. Supplies are recorded as expenditures or expenses when they are used or sold.

H. FIXED ASSETS

Fixed assets and betterments which have an acquisition cost of $1,000 or more per unit and an estimated useful life of three or more years are capitalized. Public domain ("infrastructure") improvements, such as bridges, curbs, gutters, lights, sidewalks, streets and similar assets which are immovable and of value only to the District, are capitalized. Repair and maintenance costs are charged to operations as incurred. Costs of assets retired are removed from the asset and accumulated depreciation accounts.

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

Costs to acquire fixed assets used in governmental funds are capitalized (accounted for) in the General Fixed Assets Account Group. Depreciation on general fixed assets is debited to Investment In General Fixed Assets and credited to Accumulated Depreciation in the General Fixed Assets Account Group.

Costs (including interest incurred during construction) to acquire fixed assets used in proprietary funds are capitalized in those funds. Operating expenses include depreciation on all depreciable fixed assets. Depreciation on fixed assets acquired through capital grants or by the University is closed to Contributed Capital and reported in the operating statements as an adjustment of net income (loss).

Depreciation has been provided over the estimated useful lives of fixed assets using the straight line method. The estimated useful lives are as follows.

Improvements	30 years
Utility plant	60 years
Buildings	30-50 years
Equipment	3-15 years
Transit system investment	33 years

I. LONG TERM DEBT

Proceeds of general obligation bonds to be repaid from the General Fund and issued for capital projects or to refund general obligation notes are credited as "other financing sources" in the Capital Projects Fund or General Fund, respectively. Principal payments are charged as debt service in the General Fund. Such proceeds and principal payments are debited or credited, as appropriate, to Resources To Be Provided in Future Years and to Due To Federal Government or General Obligation Bonds Payable, as appropriate, in the General Long Term Liabilities Account Group.

General obligation debt to be repaid from the Water and Sewer Enterprise Fund is accounted for in that fund. Proceeds of general obligation notes used to construct an interceptor and sewer line from Washington Dulles International Airport to the District system were debited to Due From Other Governments. The account is credited with a portion of the service charges levied on local jurisdictions benefiting from the facilities.

Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term general obligation debt to exceed 14% of the revenues of the fiscal year in which the debt is issued.

Bonds issued by and to be repaid from the Housing Finance Trust Fund are accounted for in that fund.

J. RESTRICTED ASSETS AND LIABILITIES

All assets of fiduciary funds are restricted as to use by legal or contractual requirements. The accompanying balance sheet segregates restricted assets, and liabilities which are payable from restricted assets, from assets which are unrestricted and therefore are available for general purposes. Any excess of restricted assets over liabilities payable from restricted assets is reported as "reserved for net restricted assets" to indicate the portion of the fund balance that is available for trust purposes only.

K. COMPARATIVE DATA

Summary comparative data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the District's financial position and operations. Prior year totals by fund type have not been presented in each of the statements because their inclusion would make the statements unduly complex and difficult to read.

L. TOTAL COLUMNS

Total columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation because interfund eliminations and other appropriate consolidating entries have not been made in the aggregation of these data.

(2) DUE FROM OR TO FEDERAL GOVERNMENT

Amounts due from or to the Federal government are included in the following categories in the accompanying combined balance sheet at September 30 ($000s).

Account	General	Capital Projects	Enterprise	Trust and Agency	General Long Term	Totals 1986	Totals 1985
Current Assets (Note 10):							
Revenue sharing	$ —	—	—	—	—	—	4,339
Grants	87,239	22,072	11,371	—	—	120,682	106,792
Total	**$87,239**	**22,072**	**11,371**	**—**	**—**	**120,682**	**111,131**
Restricted Assets (Note 9):							
Unemployment contribution	$ —	—	—	295	—	295	70
Future pension obligation	—	—	—	560,441	—	560,441	575,847
Total	**$ —**	**—**	**—**	**560,736**	**—**	**560,736**	**575,917**
Current Liabilities (Note 6):							
Accrued interest	$64,002	—	12,877	—	—	76,879	137,699
Current maturities	—	—	6,010	—	—	6,010	6,551
Total	**$64,002**	**—**	**18,887**	**—**	**—**	**82,889**	**144,250**
Long Term Liabilities (Note 6):							
General obligation notes	$ —	—	108,845	—	917,050	1,025,895	1,589,698

Receivables and accounts payable include amounts due from and to the Federal government for commercial transactions in the ordinary course of business. Compensation liabilities include amounts due to the Federal government for income taxes, Civil Service and Social Security withheld from employees and the District's matching contributions for such withholdings.

(3) INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at September 30, 1986 follow ($000s).

Fund	Receivables		Payables	
	Due From	Advance To	Due To	Advance From
Governmental:				
General	$11,000	4,868	15,186	—
Enterprise:				
Water and sewer	—	—	11,000	—
Trust:				
Unemployment compensation	938	—	—	—
Housing finance	—	—	—	4,868
Pension	14,248	—	—	—
Total	**$26,186**	**4,868**	**26,186**	**4,868**

Interfund charges for services ($000s) were $47,638. The advance agreements provide for repayment within 15 years from the Housing Finance Fund's excess of revenues over expenditures to the extent it is available outside of the lien of the bond indenture (Note 9).

(4) INVESTMENT IN JOINT VENTURE

A. GENERAL INFORMATION

The Washington Metropolitan Area Transit Authority is a tax exempt joint venture created in 1967 by compact among Maryland, Virginia and the District pursuant to the "Capital Transportation Act." The Authority is responsible for the construction, financing and operation of mass transit facilities, consisting of a 103 mile, 87 station rapid rail and a 372 route bus transit system, in the counties of Montgomery and Prince George's in Maryland, the counties of Arlington and Fairfax and the cities of Alexandria, Fairfax and Falls Church in Virginia, and the District.

As of September 30, 1986, 70 miles and 64 stations of the rail transit system were operational. Nineteen miles and 14 stations were under construction or final design at that date. Fourteen miles and 9 stations have not been financed. The system is expected to be completed by 1997. The estimated total cost of constructing the rail transit system is $10 billion. The cost of purchasing the area's privately owned bus companies in 1973 was $60.4 million.

The Authority is a body corporate and politic which is governed by a Board consisting of six directors, two each representing Maryland, Virginia and the District. The District's directors are appointed by the Council. The Authority does not have any stockholders, has no taxing power and is not subject to regulatory approval of its fare schedules.

The Authority's operating budget is adopted by the Board after each participant has appropriated its share of the required operating and debt service grants for the coming fiscal year. The grants are recorded by the District as current expenditures in the General Fund.

Capital funds are provided through multiyear interim capital grant agreements that specify the amount due from each participant. Federal capital grants are contingent upon matching grants from the participants of 15% to 25%. The grants are recorded by the District as capital outlays in the Capital Projects Fund and accounted for in the General Fixed Assets Account Group as described in Note 5. The cumulative capital outlays are being amortized over 33 years, the estimated useful life of the Authority's fixed assets.

The participants are required to provide a stable and reliable source of revenues to finance the grant payments to the Authority. The revenues allocated by the District to the Authority are sales taxes on motor fuel, parking fees, hotel rooms and restaurant meals; traffic fines; and Federal grants for operating expenses of the Authority.

The District pays the Authority for taking public school students to and from schools or school-related activities by bus or rail. The payments are recorded by the District as current expenditures in the General Fund.

B. FINANCIAL INFORMATION

A summary balance sheet of the Authority at June 30, 1986 and 1985 follows ($000s).

	1986	1985
Current assets	$ 440,758	426,102
Fixed assets, net	5,061,089	4,915,179
Total assets	**$5,501,847**	**5,341,281**
Current liabilities	$ 459,206	423,218
Long term liabilities	993,316	993,179
Total liabilities	**1,452,522**	**1,416,397**
Fund equity	4,049,325	3,924,884
Total liabilities and fund equity	**$5,501,847**	**5,341,281**

A summary operating statement of the Authority for the years ended June 30, 1986 and 1985 follows ($000s).

	1986	1985
Operating revenues	$ 216,931	196,451
Operating expenses:		
Depreciation	124,902	116,889
All other	422,949	382,829
Total operating expenses	**547,851**	**499,718**
OPERATING INCOME (LOSS)	(330,920)	(303,267)
Nonoperating revenues	207,675	187,532
NET INCOME (LOSS)	**(123,245)**	**(115,735)**
Fund equity at beginning of year	3,924,884	3,752,223
Capital grants earned	247,686	288,396
Fund equity at end of year	**$4,049,325**	**3,924,884**
District expenditures ($000s):		
Operating grants	$ 86,170	86,883
Debt service grants	10,242	10,180
Capital grants	1,768	15,836
Total	**$ 98,180**	**112,899**

C. DEBT STRUCTURE

The debt of the Authority does not constitute debt of the District. The Authority issued the following bonds guaranteed by the Federal government ($000s).

Series	Issue Date	Due Date	Rate	Principal	Discount	Net
A	10/1/72	7/1/12	7.30%	$225,000	1,216	223,784
B	1/1/73	7/1/12	7.35%	220,000	663	219,337
C	7/1/73	7/1/13	7.75%	150,000	405	149,595
D	4/1/74	7/1/14	8.15%	225,000	1,400	223,600
E	1/1/75	7/1/14	8.35%	177,000	—	177,000
Total				**$997,000**	**3,684**	**993,316**

The payment of debt principal and interest is shared on the basis of two-thirds by the Federal government and one-third by the Authority. The payment of the Authority's share of the bond interest was provided by advances from the Federal government through July 1, 1982. Beginning then, the Authority is required to make annual sinking fund payments of $2.5 million. The interest rates on the advances range from 9.41% to 14.42%. The repayment of the advances before January 1, 1993 will be provided by future debt service grants from the participants to the Authority.

Advances and interest payable to the Federal government by the Authority at June 30, 1986 and 1985 were as follows ($000s).

	1986	1985
Advances	$ 9.9	15.1
Interest	8.5	10.2
Total	**$18.4**	**25.3**

(5) FIXED ASSETS

A. GENERAL FIXED ASSETS

A summary of changes in general fixed assets and investment in general fixed assets follows ($000s).

Asset Class	Balance October 1, 1985	Acquisitions	Transfers/ Dispositions	Balance September 30, 1986
Land	$ 116,983	777	18,217	135,977
Improvements	934,722	—	59,036	993,758
Buildings	1,180,765	—	105,202	1,285,967
Equipment	161,731	23,337	(3,750)	181,318
Construction in progress	115,937	202,236	(208,369)	109,804
Transit system investment	408,533	—	1,768	410,301
Total	**2,918,671**	**226,350**	**(27,896)**	**3,117,125**
Less- accumulated depreciation	1,021,900	82,706	(5,488)	1,099,118
Net general fixed assets	**$1,896,771**	**143,644**	**(22,408)**	**2,018,007**
Federal capital grants	$ 548,813	46,397	(14,404)	580,806
District resources	1,347,958	97,247	(8,004)	1,437,201
Total investment in general fixed assets	**$1,896,771**	**143,644**	**(22,408)**	**2,018,007**

Acquisitions consist of expenditures from the General Fund for land and equipment and from the Capital Projects Fund for construction in progress. When a project is completed, costs in the construction in progress account are transferred to one or more of the other asset classes or are removed. The transit system investment is described in Note 4.

A summary of changes in general fixed assets by function follows ($000s).

Function	Balance October 1, 1985	Acquisitions	Transfers/ Dispositions	Balance September 30, 1986
Governmental direction and support	$ 15,902	2,354	(2,718)	15,538
Economic development and regulation	310,276	3,064	62,135	375,475
Public safety and justice	264,155	7,898	8,973	281,026
Public education system	590,170	3,916	2,115	596,201
Human support services	124,225	1,278	2,132	127,635
Public works	1,089,473	5,604	106,068	1,201,145
Construction in progress	115,937	202,236	(208,369)	109,804
Transit system investment	408,533	—	1,768	410,301
Total	**$2,918,671**	**226,350**	**(27,896)**	**3,117,125**

B. PROPRIETARY FIXED ASSETS

A summary of changes in proprietary fixed assets and contributed capital follows ($000s).

Asset Class	Balance October 1, 1985	Acquisitions	Transfers/ Dispositions	Balance September 30, 1986
Land	$ 31,971	—	—	31,971
Utility plant	684,911	15,115	—	700,026
Buildings	253,036	4,245	—	257,281
Equipment	58,336	12,939	(1,208)	70,067
Construction in progress	12,890	7,458	(3,489)	16,859
Total	**1,041,144**	**39,757**	**(4,697)**	**1,076,204**
Less- accumulated depreciation	241,849	23,680	(1,083)	264,446
Net proprietary fixed assets	**$ 799,295**	**16,077**	**(3,614)**	**811,758**
Federal capital grants	$ 127,747	4,068	—	131,815
District resources	433,204	229	(3,489)	429,944
Total contributed capital	**$ 560,951**	**4,297**	**(3,489)**	**561,759**

Acquisitions consist of expenditures ($000s) from proprietary funds ($35,768) and from the Capital Projects Fund ($2,732) plus interest capitalized ($1,257) for construction in progress.

C. CONSTRUCTION IN PROGRESS

A summary of construction in progress at September 30, 1986 by function follows ($000s).

Function	Number of Projects	Authorizations	Expenditures	Unexpended Balances
Governmental direction and support	4	$ 8,097	940	7,157
Economic development and regulation	6	28,917	3,621	25,296
Public safety and justice	29	168,643	36,882	131,761
Public education system	19	133,500	54,463	79,037
Human support services	25	51,160	9,203	41,957
Public works	15	42,237	4,695	37,542
Total general	**98**	**$432,554**	**109,804**	**322,750**
Water and sewer	7	$114,415	15,238	99,177
General hospital	1	15,579	1,206	14,373
University	1	24,750	415	24,335
Total proprietary	**9**	**$154,744**	**16,859**	**137,885**

(6) LONG TERM LIABILITIES

A. GENERAL OBLIGATION DEBT

General obligation debt payable at September 30, 1986 was comprised of the following notes and serial or term bonds ($000s).

Form	Series	Maturity Date	Interest Rates	Original Amount	Outstanding Amount		
					Enterprise	General	Total
Notes	Treasury	10/1/15	4.13%- 8.38%	$1,308,453	114,855	917,050	1,031,905
Bonds	1985A	12/1/11	9.50%-10.25%	80,000	14,809	63,496	78,305
Bonds	1985B	6/1/05	8.00%- 9.75%	173,020	19,017	151,498	170,515
Bonds	1985C	6/1/05	5.60%- 9.38%	210,220	20,600	184,960	205,560
Bonds	1986A	6/1/06	5.00%- 7.88%	338,655	72,032	266,623	338,655
Bonds	1986B	6/1/06	4.75%- 7.75%	211,960	35,773	176,187	211,960
Bonds	1986C	6/1/06	4.60%- 8.00%	212,545	20,163	192,382	212,545
Total				**$2,534,853**	**297,249**	**1,952,196**	**2,249,445**

The general obligation notes are due to the Federal government and contain no pledge of property, sinking fund provisions, subordination, restrictive covenants or default stipulations. The District is in compliance with the terms of the notes.

The general obligation bonds are secured by the full faith and credit of the District and by deposits with banks of a special real property tax for payment of bond principal and interest. At September 30, 1986, the cash with fiscal agents ($000s) was $56,152. The District is in compliance with all limitations and restrictions contained in the bond indentures and in the District of Columbia Self-Government and Governmental Reorganization Act.

A summary of changes in general obligation debt payable follows ($000s).

	Notes		Bonds		
	Enterprise	General	Enterprise	General	Total
Debt payable at October 1, 1985	**$222,734**	**1,373,515**	**55,490**	**407,750**	**2,059,489**
Bond proceeds:					
Series 1986A (refunding)	—	—	72,032	266,623	338,655
Series 1986B (refunding)	—	—	35,773	176,187	211,960
Series 1986C (capital projects)	—	—	20,163	192,382	212,545
Total	**222,734**	**1,373,515**	**183,458**	**1,042,942**	**2,822,649**
Debt payments:					
Principal retired	4,348	31,709	1,064	7,796	44,917
Principal refunded	103,531	424,756	—	—	528,287
Debt payable at September 30, 1986	**114,855**	**917,050**	**182,394**	**1,035,146**	**2,249,445**
Less - current liabilities	6,010	—	4,326	—	10,336
Long term liabilities	**$108,845**	**917,050**	**178,068**	**1,035,146**	**2,239,109**

Refunding bond proceeds ($000s) of $550,615, less bond discount of $7,417, issuance costs of $10,865 and cash of $4,046, were used to refund note principal of $528,287.

A summary of principal and interest requirements to maturity of general obligation debt follows ($000s).

Year	Notes		Bonds		Total
	Principal	Interest	Principal	Interest	
1987	$ 36,080	76,981	28,220	97,055	238,336
1988	35,887	68,098	31,300	96,033	231,318
1989	37,942	65,832	33,210	94,072	231,056
1990	40,242	63,423	35,390	91,849	230,904
1991	42,562	60,855	37,825	89,395	230,637
1992-1996	240,629	262,243	234,940	400,150	1,137,962
1997-2001	293,137	174,286	339,620	288,999	1,096,042
2002-2017	305,426	88,160	477,035	126,639	997,260
Total	**$1,031,905**	**859,878**	**1,217,540**	**1,284,192**	**4,393,515**

The District issued general obligation tax revenue anticipation notes in the amount of $150 million dated October 1, 1985 and due on September 30, 1986 with interest at 5.75% priced to yield 5.55%. The principal and interest were paid on the maturity date. Interest and fiscal agent's fees ($000s) were $8,368.

B. OTHER LONG TERM LIABILITIES

A summary of changes in other long term liabilities follows ($000s).

Account	Balance October 1, 1985	Additions	Deductions	Balance September 30, 1986
Accumulated annual leave	$ 38,042	4,067	—	42,109
Accrued pension costs (Note 9)	1,682,782	172,251	—	1,855,033
Accrued disability compensation	88,281	5,084	—	93,365
Mortgage bond	3,880	—	678	3,202
Construction contract	9,296	—	390	8,906
Total	**$1,822,281**	**181,402**	**1,068**	**2,002,615**

Accrued disability compensation is the actuarial present value of future payments for occupational injuries, deaths and diseases incurred by District employees.

The District has issued private activity bonds whose principal and interest are payable solely from defined revenues of private entities. The amount of these no-commitment bonds is not included in the accompanying financial statements.

A predecessor entity of the District issued housing bonds whose principal and interest are payable solely from debt service grants from the Federal government. The amount of these no-commitment bonds is not included in the accompanying financial statements.

The cost of providing postretirement health care and life insurance benefits for retirees is borne by the Federal government and the District has no liability for this cost.

(7) RETAINED EARNINGS/FUND BALANCES OF INDIVIDUAL FUNDS

Retained earnings (deficits) of individual Enterprise Funds and fund balances of individual Trust Funds at September 30 are summarized below ($000s).

Fund	1986	1985
Water and sewer	$ (6,006)	(53,739)
General hospital	(7,061)	(8,660)
Starplex	(323)	(936)
Convention center	19,255	19,368
Lottery and games	1,158	1,141
University	15,016	11,423
Total Enterprise	**$ 22,039**	**(31,403)**
Unemployment compensation	$ 79,768	47,493
Housing finance	4,005	394
Pension	1,417,070	1,199,601
Total Trust	**$1,500,843**	**1,247,488**

(8) SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains six Enterprise Funds which sell water, sewer, medical, recreational, cultural and educational services to the general public on a continuing basis. Segment information for the year ended September 30, 1986 was as follows ($000s).

	Water and Sewer	General Hospital	Starplex	Convention Center	Lottery and Games	University	Total
Operating revenues:							
Gross	$186,090	122,380	5,500	4,812	118,653	6,158	443,593
Deductions*	—	68,544	—	—	65,436	—	133,980
Operating expenses:							
Depreciation	11,633	3,780	870	2,746	246	4,405	23,680
All other	106,410	96,807	4,017	10,740	14,202	81,838	314,014
Operating income (loss)	68,047	(46,751)	613	(8,674)	38,769	(80,085)	(28,081)
Nonoperating revenues (expenses)	(22,714)	—	—	40	1,248	11,558	(9,868)
Operating transfers in (out)	—	48,350	—	8,521	(40,000)	67,715	84,586
Net income (loss)	45,333	1,599	613	(113)	17	(812)	46,637
Capital contributions	2,978	357	—	352	—	3,926	7,613
Current assets	72,818	43,612	4,812	2,278	4,448	32,255	160,223
Long term assets	22,212	—	—	—	—	—	22,212
Fixed assets	559,343	41,926	11,813	111,611	1,669	85,396	811,758
Total assets	654,373	85,538	16,625	113,889	6,117	117,651	994,193
Working capital (deficit)	13,617	15,693	3,579	(648)	(511)	13,917	45,647
Long term liabilities	295,819	—	—	—	—	—	295,819
Fund equity	299,353	57,619	15,392	110,963	1,158	99,313	583,798
Fixed asset acquisitions	25,284	5,272	246	3,444	853	4,658	39,757
Fixed asset dispositions	3,461	144	9	—	—	—	3,614

* Hospital bad debts, contractual adjustments and charity services.
Commissions and prizes deducted from lottery tickets sold to agents.

(9) DETAILED INFORMATION FOR TRUST AND AGENCY FUNDS

A. UNEMPLOYMENT COMPENSATION

The District sponsors the Unemployment Compensation System which is administered by the Unemployment Compensation Board and is accounted for as a separate Unemployment Compensation Trust Fund. The Fund pays benefits to unemployed former employees of the District and Federal governments and private employers carrying on employment in the District. The District and Federal governments reimburse the Fund for benefits paid by it to their respective unemployed former employees. All administrative costs of the system are paid by the General Fund and reimbursed by a Federal grant.

If benefit payments exceed the cumulative amount of contributions, the Fund may request an advance to cover the deficiency from the Federal government. Advances are not general obligations of the District and are payable solely from contributions by private employers or a surtax on the Federal unemployment tax levied upon private employers. Interest is charged (at the prevailing rate) on advances and is paid from the General Fund because the Unemployment Compensation Trust Fund is prohibited from paying interest.

A summary of changes in advances from the Federal government follows ($000s).

	1986	1985
Advances payable at beginning of year	**$ —**	**43,810**
New advances	—	—
Total	**—**	**43,810**
Less-payments	—	43,810
Advances payable at end of year	**$ —**	**—**

An analysis of amounts due from or to others at September 30, 1986 follows ($000s).

Account	Due From	Due To
Claimants	$ 130	2,473
Employers	12,668	116
States	1,832	430
Total	**$14,630**	**3,019**

B. HOUSING FINANCE

The District sponsors the Housing Finance Program which is administered by the Housing Finance Agency and is accounted for as a separate Housing Finance Trust Fund. The Fund issues bonds and uses the proceeds to finance residential mortgage, construction and rehabilitation loans. The principal and interest of bonds issued by the Fund are not general obligations of the District and are payable solely from defined revenues and assets of the Fund. Administrative costs of the program are financed by the Fund and operating transfers to the Fund from the General Fund.

An analysis of amounts due from or to others at September 30, 1986 follows ($000s).

Account	Due From	Due To
Loans	$145,961	272,633
Deferrals	5,254	2,459
Miscellaneous	2,675	7,886
Total	**$153,890**	**282,978**

C. PENSION

Compulsory Plans

All District employees are covered by one of three pension plans. The Civil Service Retirement System which covers permanent full-time employees (except those covered by the District Retirement Program), and the Social Security System which covers temporary or part-time employees, are administered by the Federal government. All employees hired after September 30, 1987 will be covered by the Social Security System except those covered by the District Retirement Program. The District Retirement Program is a single employer defined benefit pension plan administered by the Retirement Board and accounted for as Pension Trust Funds. Administrative costs of the program are financed by the General Fund and operating transfers to the General Fund from the Pension Trust Funds.

Nonadministered Plans

District contributions to the pension plans administered by the Federal government equaled employee contributions and were as follows ($000s). The District has no further liability to these systems.

Plan	Rate	Employees	1986	1985
Civil Service	7.00%	28,683	$47,204	43,679
Social Security	7.15%	4,733	5,888	5,292
Total		**33,416**	**$53,092**	**48,971**

Administered Plan

The District Retirement Program covers four classes of employees who contribute a percentage of their salary. The number of participants at September 30, 1986 was as follows.

Class	Rate	Employees	Retirees	Total
Judges	3.50%	61	44	105
Police officers/Fire fighters	7.00%	5,113	5,334	10,447
Teachers	7.00%	6,427	3,517	9,944
Total		**11,601**	**8,895**	**20,496**

Benefit Provisions

Teachers who retire at age 55 with 30 years of service, at 60 with 20 years, or at 62 with 5 years are entitled to an annual annuity, payable monthly for life, equal to 1.5% of their average salary for the highest consecutive 3 years for each year of service up to 5 years, 1.75% for each year over 5 years, and 2% for each year over 10 years, up to a maximum of 80%, excluding credit for unused sick leave. Somewhat different age and service formulas are established for judges, police officers and fire fighters. The program also provides death and disability benefits. Benefits vest upon reaching 5 years of service and increase after retirement based upon inflation. Refunds are made if separation occurs before 5 years of service.

Federal Contribution

On January 2, 1975, when the District of Columbia Self-Government and Governmental Reorganization Act became effective, the unfunded actuarial liability under the District Retirement Program was $1.9 billion. The Retirement Reform Act (Public Law 96-122, approved November 17, 1979) authorized the Federal government to make 25 annual contributions ($000s) of $52,070 to the Pension Trust Funds from 1980 through 2004. These contributions total $1.3 billion and had a present value in 1975 of $486.8 million, using a 7% rate of interest. The present value of the future Federal obligation at September 30, 1986 was $560.4 million. The amount is included in Due From Federal Government on the balance sheet of the Trust and Agency Funds. The Federal contribution ($000s) was $50,565 in 1986 because of the Federal Balanced Budget and Emergency Deficit Control Act of 1985.

District Contribution

The Retirement Reform Act also provided that, for each year before 2005, the District will pay to the Pension Trust Funds a sum equal to normal cost (portion of benefits allocated to a valuation year) plus interest on the unfunded actuarial liability or net pay-as-you-go cost (benefit payments less employee contributions), whichever is less, plus annual amortization. An amount is calculated each year to amortize with interest, over a 10 year period, the difference between the projected unfunded actuarial liability as of September 30, 2004 and the unfunded actuarial liability at September 30, 1979 increased by the inflation assumption to September 30, 2004. The actual annual amortization payment may not exceed 30% (10% for police officers and fire fighters) of the net pay-as-you-go cost. In 1986, amortization over 10 years would have been $142.9 million. Due to the percentage limitation, the actual amortization was $23.0 million. Beginning in 2005, the District's annual contribution to the Pension Trust Funds will increase to cover the then normal cost plus interest on the then unfunded actuarial liability. It is estimated that the unfunded actuarial liability at September 30, 2004 will be $12.9 billion and that the District contribution to the Pension Trust Funds in 2005 will be 99% of covered payroll.

The District contributions to the Pension Trust Funds were calculated under the Retirement Reform Act before the beginning of each year as follows ($000s).

Component	1986	1985
(1) Normal cost plus interest:		
Normal cost	$119,000	110,100
Interest on unfunded actuarial liability	337,900	330,500
Total	**456,900**	**440,600**
(2) Net pay-as-you-go cost	**149,800**	**145,700**
(3) Mandatory contribution:		
Lesser of (1) or (2)	149,800	145,700
Annual amortization	23,000	14,700
Subtotal	**172,800**	**160,400**
(4) Voluntary contribution	3,722	4,741
District contribution	**$176,522**	**165,141**
Covered payroll	$363,441	363,382

Pension Cost

Pension costs of the District Retirement Program were calculated on the entry age normal actuarial cost method after the end of each year as follows ($000s).

Component	1986	1985
Normal cost	$113,707	113,934
Interest on unfunded actuarial liability	184,890	176,910
Amortization of unfunded actuarial liability	50,176	48,730
Pension cost	**$348,773**	**339,574**

The annual pension cost, less the District contribution, was added to the accrued pension costs included in Other Long Term Liabilities (Note 6). There was no offsetting accrued pension asset on the balance sheet of the Trust and Agency Funds because the accrued pension costs were unfunded.

Actuarial Assumptions

Significant actuarial assumptions used to compute District contributions, pension costs and accumulated benefit obligations were as follows.

Assumption	1986	1985
Rate of return on investments	7%	7%
Salary inflation increase	5%	5%
Salary merit increase	4%	4%
Postretirement benefit increase	5%	5%

Actuarial Liability

The actuarial present value of the accumulated benefit obligation of the District Retirement Program and the net assets available for that obligation at September 30, 1986 and 1985 were calculated as follows ($000s).

Component	1986	1985
Vested benefits (active and inactive)	$4,826,900	4,367,991
Nonvested benefits	26,400	22,289
Total accumulated benefit obligation	**4,853,300**	**4,390,280**
Net assets available	1,417,070	1,199,601
Unfunded actuarial liability	**$3,436,230**	**3,190,679**

Due From or To Others

An analysis of amounts due from or to others by the Pension Trust Funds at September 30, 1986 follows ($000s).

Account	Due From	Due To
Participants and beneficiaries	$5,205	16,289
Vendors	—	15,392
Total	**$5,205**	**31,681**

Voluntary Plans

The District sponsors a defined benefit pension plan under Internal Revenue Code section 401 for Convention Center employees covered by the Social Security System. Participants may contribute 2% of their annual compensation and the District contributes the actuarially recommended amount.

The District purchases nonforfeitable tax-sheltered annuity contracts for educational employees under Internal Revenue Code section 403. Public school teachers and officers may contribute up to 16⅔% of the first $57,000 of their annual compensation and there is no contribution by the District. University employees covered by the Social Security System may contribute from 5% to 15% of their annual compensation and the District contributes from 10% to 15%.

D. DEFERRED COMPENSATION

The District sponsors the Deferred Compensation Plan which is administered by independent contractors under Internal Revenue Code section 457 and is accounted for as a separate Deferred Compensation Agency Fund. Noneducational employees may defer up to 25% of the first $30,000 of their annual compensation. Compensation deferred and income earned are taxable when paid or made available to the participant or beneficiary upon retirement, death, termination or unforeseeable emergency. The plan assets are the property of the District and are subject to the claims of the District's general creditors. The District is liable to a participant only for income lost because of its failure to invest a deferred amount as directed by the participant.

The market value of the plan assets at September 30, 1986 of $5.2 million are included in Cash and Investments and in Due to Others on the balance sheet of the Trust and Agency Funds.

(10) INTERGOVERNMENTAL TRANSACTIONS

A. PAYMENT IN LIEU OF TAXES

The Federal payment to the District is in lieu of taxes it would have had to pay had it been subject to taxation and for costs incurred by the District for special purposes. Prior to March 1, the Mayor submits to the Council a requested Federal payment for the fiscal year commencing the following October 1. After action by the Council, the Mayor submits the request to the President for submission to Congress. The amount authorized by Congress to be appropriated as the Federal payment is based upon studies of revenues lost and costs incurred because of the Federal presence and the tax burden on District residents relative to other comparable jurisdictions.

The Federal contribution to the Pension Trust Funds is described in section C of Note 9 and to the Water and Sewer Enterprise Fund in section E of this note. A summary of the Federal payment to the General Fund follows ($000s).

Purpose	1986	1985
General purpose	$412,358	425,000
Saint Elizabeths hospital	23,925	20,000
Criminal justice initiative	13,264	22,550
Job training initiative	478	—
Educational initiative	144	1,500
Court study	96	—
Inaugural activities	—	2,300
Total	**$450,265**	**471,350**

B. REVENUE SHARING ENTITLEMENTS

The District's revenue sharing entitlements from the Federal government were $15.2 million in 1986 and $17.5 million in 1985.

C. OPERATING GRANTS

The District participates in Federal grant-in-aid programs. A summary of operating grant revenues by function follows ($000s).

Function	1986	1985
Governmental direction and support	$ 69	32
Economic development and regulation	98,323	95,797
Public safety and justice	1,953	2,225
Public education system	43,218	40,402
Human support services	295,660	280,504
Public works	1,965	1,855
Total general	**441,188**	**420,815**
University	6,095	5,678
Total	**$447,283**	**426,493**

D. CAPITAL GRANTS

Federal capital grants are used for the purchase or construction of fixed assets. Capital grants, except for water and sewer facilities, are recorded as intergovernmental revenues in the Capital Projects Fund. Capital grants for water and sewer facilities are recorded as Contributed Capital in the Water and Sewer Enterprise Fund. A summary of capital grant revenues by function follows ($000s).

Function	1986	1985
Economic development and regulation	$17,238	15,501
Public safety and justice	—	55
Public education system	—	1
Human support services	—	293
Public works	55,901	37,502
Total	**$73,139**	**53,352**

E. WATER AND SEWER SERVICES

The Federal contribution ($000s) to the Water and Sewer Enterprise Fund was $29,197 in 1986 and $24,100 in 1985 for water and sanitary sewer services furnished to facilities of the Federal government.

The District exercises no oversight responsibility over the Washington Aqueduct which is owned by the Federal government and operated by the United States Army Corps of Engineers. The District compensates the Federal government for all operating expenses and capital outlays of the Washington Aqueduct. The capital outlays are capitalized and depreciated over 60 years in the Water and Sewer Enterprise Fund. A summary of costs incurred follows ($000s).

Purpose	1986	1985
Operating expenses	$12.8	13.7
Capital outlays	4.3	4.8
Total	**$17.1**	**18.5**

(11) COMMITMENTS

Minimum future rental payments for all operating leases having noncancelable terms in excess of one year are as follows ($000s).

Year	Facilities	Equipment	Total
1987	$ 25,942	138	26,080
1988	19,159	2	19,161
1989	13,622	2	13,624
1990	8,777	2	8,779
1991	7,965	2	7,967
Thereafter	31,322	—	31,322
Total	**$106,787**	**146**	**106,933**

Rental expenditures were $37.4 million in 1986 and $31.7 million in 1985. There were no capital leases. Grants for mass transit are described in Note 4. Unexpended balances of construction in progress are described in Note 5. Saint Elizabeths mental hospital will be transferred from the Federal government to the District on October 1, 1987.

(12) CONTINGENT LIABILITIES

A. LITIGATION

The District is a defendant in a number of pending bodily injury and property damage lawsuits. An accrual of $11 million in the General Fund has been provided which reasonably estimates the probable settlement of claims and the satisfaction of judgments against the District that may result from tort liability. No accrual has been provided for possible but not probable additional claims and judgments which are reasonably estimated at $9.4 million.

B. FEDERALLY ASSISTED PROGRAMS

The District participates in a number of Federally assisted grant programs as described in Note 10. These grants are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs for the year ended September 30, 1986 have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. An accrual of $28.5 million in the General Fund has been provided which reasonably estimates the probable amount of expenditures that may be disallowed by the granting agencies.

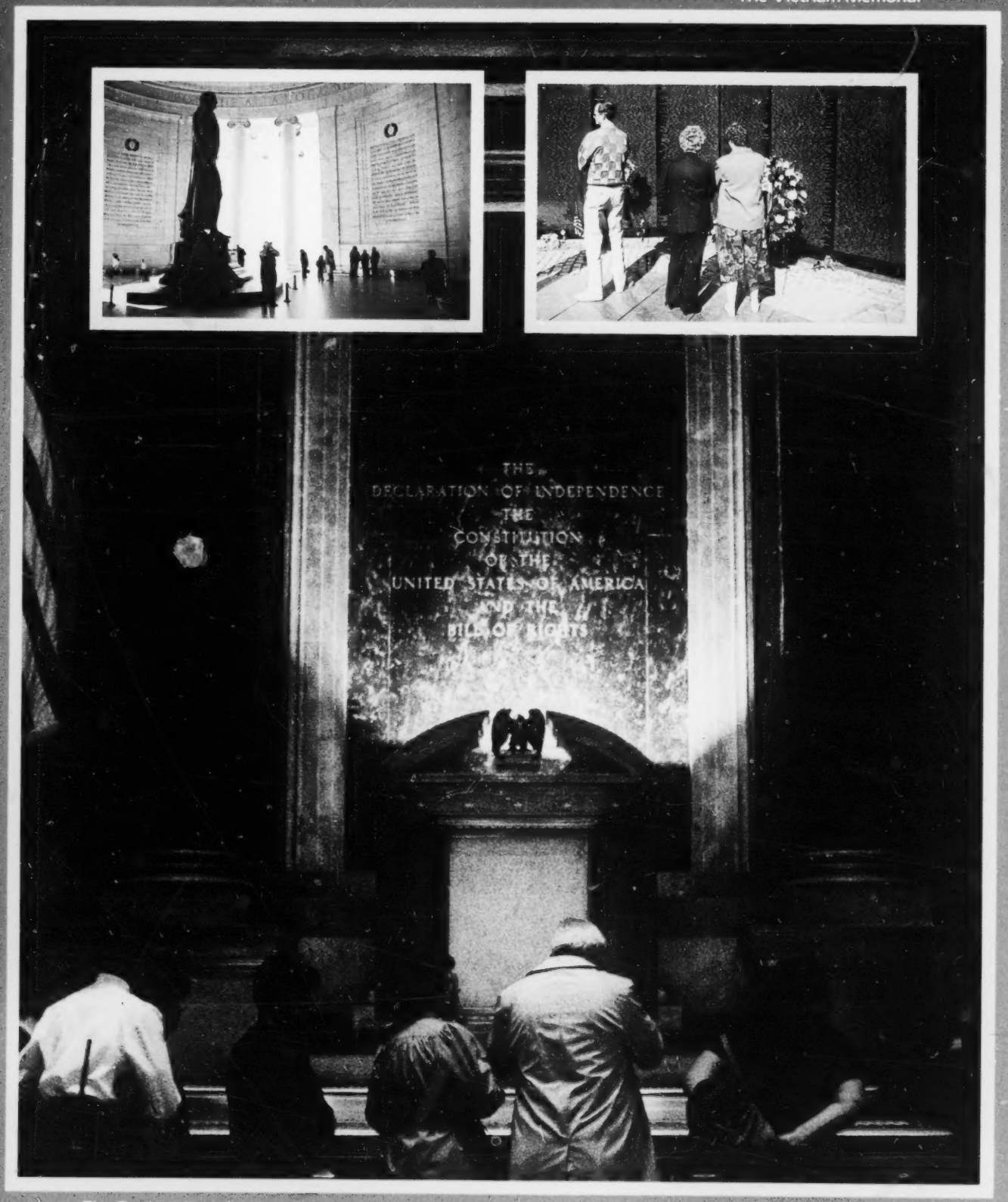
C. RISK MANAGEMENT POLICY

The District self-insures against all risks, except group health and life, on an unfunded basis. Losses are recorded as incurred. No material casualty losses of real or personal property occurred in 1986 or 1985.

Where the District has more than one fund of a given type, combining statements for all funds of that type are presented in columnar format. Where the District has only one fund of a given type, individual fund statements are presented with prior year comparisons. Where greater detail for information reported in the statements is deemed useful, schedules are presented.

The Jefferson Memorial

The Vietnam Memorial



The Declaration of Independence, the Constitution of the United States of America and the Bill of Rights.

GENERAL FUND

To account for all financial resources except those required to be accounted for in another fund. All fixed assets of the District government except those related to specific proprietary funds are accounted for through the General Fixed Assets Account Group. All long term liabilities of the District government except those related to specific proprietary and fiduciary funds are accounted for through the General Long Term Liabilities Account Group.

Exhibit A-1

GENERAL FUND

COMPARATIVE BALANCE SHEET

September 30, 1986 and 1985
($000s)

	1986	1985
ASSETS		
Current Assets:		
Cash and investments	$192,504	93,688
Receivables (net of allowances for uncollectibles):		
Taxes	109,029	99,689
Accounts	26,170	19,066
Due from Federal government (note 2)	87,239	88,473
Due from other funds (note 3)	11,000	42,308
Inventory	18,754	15,189
Other current assets	1,646	1,065
Total current assets	446,342	359,478
Long Term Assets:		
Advance to other funds (note 3)	4,868	4,002
Total assets	**$451,210**	**363,480**
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts payable	$181,982	131,641
Compensation liabilities:		
Salaries and wages	66,505	69,274
Employee benefits	1,446	2,231
Payroll taxes	2,989	2,105
Overtime leave	774	—
Annual leave	17,995	17,276
Other deductions	1,156	20
Due to Federal government (note 2)	64,002	112,645
Due to other funds (note 3)	15,186	14,649
Accrued liabilities:		
Claims and judgments	11,000	11,000
Grant disallowances	28,464	28,464
Interest	27,216	14,892
Tax overcollections	32,312	28,217
Other accruals	26,660	18,200
Deferred revenues:		
Property taxes	142,572	128,217
Federal grants	7,465	2,580
Other deferrals	29,258	14,499
Other current liabilities	19,109	12,504
Total liabilities	**676,091**	**608,414**
Commitments and Contingent Liabilities (Notes 11 and 12)		
Fund Balance:		
Reserved for long term assets	4,868	4,002
Unreserved (deficit)	(229,749)	(248,936)
Total fund balance (deficit)	**(224,881)**	**(244,934)**
Total liabilities and fund balance	**$451,210**	**363,480**

The accompanying notes are an integral part of this statement.

Exhibit A-2

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Years Ended September 30, 1986 and 1985
($000s)

	1986	1985
Revenues:		
Taxes:		
Property	$ 488,849	455,097
Sales and use	432,969	402,743
Income and franchise	595,964	524,620
Gross receipts	93,799	91,445
Other	72,954	62,122
Total taxes	1,684,535	1,536,027
Licenses and permits	31,850	31,460
Fines and forfeits	39,528	29,214
Charges for services	117,585	97,576
Miscellaneous	34,897	29,976
Intergovernmental (note 10)	906,686	909,693
Total revenues	2,815,081	2,633,946
Expenditures:		
Current:		
Governmental direction and support	123,759	120,473
Economic development and regulation	211,038	198,209
Public safety and justice	743,224	685,091
Public education system	507,003	490,561
Human support services	875,757	776,318
Public works	238,624	231,503
Add (less) - employee benefits recorded as other long term liabilities	(181,402)	(156,987)
Debt service:		
Principal retired	39,505	30,089
Principal refunded	424,756	243,029
Interest	151,195	144,178
Fiscal charges	12,175	12,082
Total expenditures	3,145,634	2,774,546
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(330,553)	(140,600)
Other Financing Sources (Uses):		
Proceeds of general obligation bonds	442,810	254,027
Operating transfers in (out):		
Capital Projects Fund	(9,136)	(9,176)
General Hospital Fund	(48,350)	(45,500)
Convention Center Fund	(8,521)	(5,739)
Lottery and Games Fund	40,000	35,469
University Fund	(67,715)	(64,933)
Housing Finance Fund	(1,234)	(835)
Pension Funds	2,752	2,213
Total other financing sources (uses)	350,606	165,526
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	**20,053**	**24,926**
Fund Balance (Deficit) at Beginning of Year	**(244,934)**	**(269,860)**
Fund Balance (Deficit) at End of Year	**$ (224,881)**	**(244,934)**

The accompanying notes are an integral part of this statement.

Exhibit A-3

GENERAL FUND

SCHEDULE OF REVENUES BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended September 30, 1986 ($000s)

Source	Appropriated Budget	Appropriated Actual	Variance-Favorable (Unfavorable)
Taxes:			
Property:			
Real	$ 440,870	437,315	(3,555)
Personal	45,700	46,766	1,066
Public space rental	4,100	4,768	668
Total	490,670	488,849	(1,821)
Sales and use:			
General	356,000	361,031	5,031
Alcoholic beverages	7,000	6,762	(238)
Cigarette	9,600	9,294	(306)
Hotel occupancy	6,100	5,083	(1,017)
Motor fuel	25,600	24,264	(1,336)
Motor vehicle	24,000	26,535	2,535
Total	428,300	432,969	4,669
Income and franchise:			
Individual income	454,800	444,824	(9,976)
Corporation franchise	109,000	116,223	7,223
Unincorporated business	30,000	34,917	4,917
Total	593,800	595,964	2,164
Gross receipts:			
Public utility	82,200	72,473	(9,727)
Insurance companies	21,000	21,326	326
Total	103,200	93,799	(9,401)
Other:			
Inheritance and estate	24,600	28,255	3,655
Recordation	24,400	24,541	141
Transfer	19,000	20,158	1,158
Total	68,000	72,954	4,954
Total taxes	1,683,970	1,684,535	565
Licenses and permits:			
Business licenses	14,670	14,822	152
Nonbusiness permits	17,627	17,028	(599)
Total	32,297	31,850	(447)
Fines and forfeits	36,504	39,528	3,024
Charges for services:			
Court fees	4,717	4,896	179
Parking meters	9,200	9,354	154
Other	22,375	22,246	(129)
Total	36,292	36,496	204
Miscellaneous:			
Interest	15,126	16,603	1,477
Abandonments	2,100	1,808	(292)
Other	7,361	11,223	3,862
Total	24,587	29,634	5,047
Intergovernmental:			
Payment in lieu of taxes	450,265	450,265	—
Revenue sharing entitlements	15,233	15,233	—
Total	465,498	465,498	—
Total revenues	**$2,279,148**	**2,287,541**	**8,393**

The accompanying notes are an integral part of this schedule.

Exhibit A-4

GENERAL FUND

SCHEDULE OF EXPENDITURES AND USES BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended September 30, 1986 ($000s)

Function and Subfunction	Appropriated Budget	Appropriated Actual	Variance-Favorable (Unfavorable)
Governmental direction and support:			
Legislative	$ 8,068	7,498	570
Executive	7,757	7,399	358
Finance	42,137	42,004	133
Personnel	16,566	16,756	(190)
Administrative	27,899	29,629	(1,730)
Elections	3,403	3,343	60
Total	105,830	106,629	(799)
Economic development and regulation:			
Planning and development	4,823	4,608	215
Housing and redevelopment	32,377	26,402	5,975
Economic regulation	32,937	31,613	1,324
Employment services	33,456	31,843	1,613
Total	103,593	94,466	9,127
Public safety and justice:			
Police	268,529	270,714	(2,185)
Fire	66,142	66,472	(330)
Correction	148,470	156,592	(8,122)
Protection	1,543	1,506	37
Law	24,488	25,011	(523)
Judicial	62,482	62,447	35
Total	571,654	582,742	(11,088)
Public education system:			
Education	431,265	431,271	(6)
Culture	16,767	16,084	683
Total	448,032	447,355	677
Human support services:			
Health and welfare	514,838	509,414	5,424
Human relations	10,340	9,978	362
Employment benefits	15,725	18,915	(3,190)
Recreation	26,657	26,675	(18)
Total	567,560	564,982	2,578
Public works	197,739	196,104	1,635
Unallocated addition (rescission)	(19,423)	—	(19,423)
Debt service	182,093	218,749	(36,656)
Financing uses (sources)	102,070	102,005	65
Total expenditures and uses	**$2,259,148**	**2,313,032**	**(53,884)**

The accompanying notes are an integral part of this schedule.

Exhibit A-5

GENERAL FUND

SCHEDULE OF EXPENDITURES AND USES FUNCTION AND OBJECT (GAAP BASIS)

Year Ended September 30, 1986
With Comparative Totals for Year Ended September 30, 1985
($000s)

Function and Subfunction	Personal Services	Contractual Services	Supplies	Occupancy	Miscel-laneous	Totals 1986	Totals 1985
Governmental direction and support:							
Legislative	$ 5,463	362	88	156	1,341	7,410	7,286
Executive	6,836	1,593	101	286	1,055	9,871	9,301
Finance	27,337	5,151	965	1,204	12,154	46,811	52,156
Personnel	13,569	3,562	119	267	1,559	19,076	16,535
Administrative	15,278	9,552	1,139	10,859	637	37,465	32,504
Elections	2,285	392	82	97	270	3,126	2,691
Total	70,766	20,612	2,494	12,869	17,016	123,759	120,473
Economic development and regulation:							
Planning and development	4,904	9,117	95	120	4,363	18,599	8,088
Housing and redevelopment	30,218	17,667	886	19,698	27,210	95,679	100,642
Economic regulation	25,261	5,176	317	733	867	32,354	27,350
Employment services	24,717	2,545	271	2,292	34,581	64,406	62,129
Total	85,100	34,505	1,569	22,843	67,021	211,038	198,209
Public safety and justice:							
Police	344,603	4,938	3,363	2,599	3,548	359,051	336,786
Fire	125,942	922	1,112	1,344	2,224	131,544	123,182
Correction	94,096	5,231	15,152	6,561	38,131	159,171	139,399
Protection	1,675	170	49	92	418	2,404	1,967
Law	12,867	8,391	277	418	5,398	27,351	24,460
Judicial	39,104	20,968	493	724	2,414	63,703	59,297
Total	618,287	40,620	20,446	11,738	52,133	743,224	685,091
Public education system:							
Education	425,172	10,191	15,623	18,378	20,420	489,784	474,333
Culture	10,739	962	252	1,643	3,623	17,219	16,228
Total	435,911	11,153	15,875	20,021	24,043	507,003	490,561
Human support services:							
Health and welfare	172,795	46,049	8,380	17,206	562,998	807,428	737,647
Human relations	2,510	10,901	55	150	609	14,225	12,178
Employment benefits	23,999	—	—	—	—	23,999	(325)
Recreation	22,997	2,458	1,724	1,600	1,326	30,105	26,818
Total	222,301	59,408	10,159	18,956	564,933	875,757	776,318
Public works	79,933	36,067	8,389	8,922	105,313	238,624	231,503
Future employee benefits:							
Governmental direction and support	(235)	—	—	—	—	(235)	(192)
Economic development and regulation	(461)	—	—	—	—	(461)	17,707
Public safety and justice	(151,595)	—	—	—	—	(151,595)	(145,860)
Public education system	(23,102)	—	—	—	—	(23,102)	(28,670)
Human support services	(5,803)	—	—	—	—	(5,803)	(45)
Public works	(206)	—	—	—	—	(206)	73
Total	(181,402)	—	—	—	—	(181,402)	(156,987)
Debt service	—	—	—	—	627,631	627,631	429,378
Financing uses (sources)	—	—	—	—	(350,606)	(350,606)	(165,526)
Total expenditures and uses	**$1,330,898**	**202,365**	**58,932**	**95,349**	**1,107,484**	**2,795,028**	**2,609,020**

The accompanying notes are an integral part of this schedule.

CAPITAL PROJECTS FUND

To account for the purchase or construction of fixed assets which are wholly or partly financed by capital grants or general long term debt. The Capital Projects Fund is not used to account for the purchase of general fixed assets which are financed wholly from revenues of the General Fund. Such items are accounted for as current expenditures of that Fund.

Fixed assets are capitalized in the General Fixed Assets Account Group or in the proprietary fund to which they apply. Expenditures for items which are below the minimum cost or life of a fixed asset unit are not capitalized.

Exhibit B-1

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEET

September 30, 1986 and 1985
($000s)

	1986	1985
ASSETS		
Current Assets:		
Cash	$163,190	91,867
Due from Federal government (note 2)	22,072	14,937
Total assets	**$185,262**	**106,804**
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts payable	$ 24,250	12,875
Deferred revenues	7,156	9,762
Total liabilities	**31,406**	**22,637**
Commitments and Contingent Liabilities (Notes 11 and 12)		
Fund Balance:		
Reserved for encumbrances	153,856	84,167
Total liabilities and fund balance	**$185,262**	**106,804**

The accompanying notes are an integral part of this statement.

Exhibit B-2

CAPITAL PROJECTS FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Years Ended September 30, 1986 and 1985 ($000s)

	1986	1985
Revenues:		
Intergovernmental (note 10)	$ 73,139	53,352
Expenditures:		
Capital outlays:		
General fixed assets	202,236	179,504
Proprietary fixed assets	2,732	7,380
Total expenditures	204,968	186,884
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(131,829)	(133,532)
Other Financing Sources:		
Proceeds of general obligation bonds	192,382	153,723
Operating transfers in:		
General Fund	9,136	9,176
Total other financing sources	201,518	162,899
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	**69,689**	**29,367**
Fund Balance at Beginning of Year	**84,167**	**54,800**
Fund Balance at End of Year	**$153,856**	**84,167**

The accompanying notes are an integral part of this statement.

Exhibit B-3

CAPITAL PROJECTS FUND

SCHEDULE OF CONSTRUCTION IN PROGRESS

September 30, 1986
($000s)

Function and Subfunction	Number of Projects	Authorizations	Expenditures			Unexpended Balances
			Prior Years	Current Year	Total	
GENERAL						
Governmental direction and support:						
Executive	1	$ 1,528	—	12	12	1,516
Administrative	3	6,569	307	621	928	5,641
Total	4	8,097	307	633	940	7,157
Economic development and regulation:						
Housing and redevelopment	6	28,917	100	3,521	3,621	25,296
Public safety and justice:						
Police	3	14,338	1,563	435	1,998	12,340
Fire	4	6,524	1,339	1,473	2,812	3,712
Correction	17	134,841	13,674	17,378	31,052	103,789
Judicial	5	12,940	699	321	1,020	11,920
Total	29	168,643	17,275	19,607	36,882	131,761
Public education system:						
Education	16	128,127	38,346	16,099	54,445	73,682
Culture	3	5,373	—	18	18	5,355
Total	19	133,500	38,346	16,117	54,463	79,037
Human support services:						
Health and welfare	11	24,961	2,409	1,625	4,034	20,927
Human relations	2	13,450	—	86	86	13,364
Recreation	12	12,749	4,073	1,010	5,083	7,666
Total	25	51,160	6,482	2,721	9,203	41,957
Public works:						
Environment	5	32,036	1,692	40	1,732	30,304
Government buildings	10	10,201	2,323	640	2,963	7,238
Total	15	42,237	4,015	680	4,695	37,542
Total general	**98**	**$432,554**	**66,525**	**43,279**	**109,804**	**322,750**
PROPRIETARY						
Water and sewer:						
Water	2	$ 5,259	182	75	257	5,002
Sewer	5	109,156	7,697	7,284	14,981	94,175
Total	7	114,415	7,879	7,359	15,238	99,177
General hospital	1	15,579	1,206	—	1,206	14,373
University	1	24,750	—	415	415	24,335
Total proprietary	**9**	**$154,744**	**9,085**	**7,774**	**16,859**	**137,885**

The accompanying notes are an integral part of this schedule.

ENTERPRISE FUNDS

To account for activities that are financed and operated in a manner similar to private business enterprises where the costs (including depreciation) of providing goods or services primarily or solely to the general public on a continuing basis are or could be financed or recovered primarily through user charges.

The **Water and Sewer Fund** is used to account for the provision of water and sewer services to residents of the District. All activities necessary to provide such services are accounted for in this Fund, including administration, operations, maintenance, debt service, billing and collecting. Depreciation on fixed assets acquired through capital grants is closed to Contributed Capital.

The **General Hospital Fund** is used to account for the costs of providing medical and surgical treatment to sick and injured residents by the District of Columbia General Hospital. The Hospital is governed by eleven Commissioners appointed by the Mayor with the consent of the Council.

The **Starplex Fund** is used to account for maintaining and operating the Armory to provide facilities for the quartering and training of the National Guard of the District of Columbia and for major athletic events, conventions, concerts and other activities; and for maintaining and operating the Robert F. Kennedy Memorial Stadium for athletic and other events. The Armory and Stadium are governed by a three member Armory Board, two of whose members are appointed by the Mayor with the consent of the Council. The third member is the Commanding General of the National Guard.

The **Convention Center Fund** is used to account for maintaining and operating the Washington Convention Center for local public shows and exhibitions, civic and community events and gatherings, athletic and cultural events, entertainment and other activities. The Convention Center is governed by five Directors appointed by the Mayor with the consent of the Council.

The **Lottery and Games Fund** is used to account for revenues from lotteries and daily numbers games operated by the District of Columbia and from licenses to conduct bingo games and raffles, and related prizes, expenses and capital outlays. Gambling activities are administered by a Lottery and Charitable Games Control Board consisting of five members appointed by the Mayor with the consent of the Council. All moneys made available to the Lottery and Games Fund by the General Fund must be derived from non-Federal revenues.

The **University Fund** is used to account for the resources received and used by the University of the District of Columbia which is a land-grant institution offering higher education to the general public. The University is governed by a Board of Trustees. Eleven members of the Board are appointed by the Mayor with the consent of the Council, one member is a full-time student, and three members are appointed by the alumni associations. Depreciation on fixed assets is closed to Contributed Capital.

Exhibit C-1

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

September 30, 1986
With Comparative Totals for September 30, 1985
($000s)

	Water and Sewer	General Hospital	Starplex	Convention Center	Lottery and Games	University	Totals 1986	Totals 1985
ASSETS								
Current Assets:								
Cash and investments	$ 683	36,122	4,063	339	2,694	25,110	69,011	55,635
Receivables (net of allowances for uncollectibles)	53,332	6,020	283	607	1,519	1,292	63,053	64,237
Due from Federal government (note 2)	8,816	89	—	—	—	2,466	11,371	7,721
Inventory	9,987	1,381	—	—	29	—	11,397	7,337
Other current assets	—	—	466	1,332	206	3,387	5,391	3,790
Total current assets	72,818	43,612	4,812	2,278	4,448	32,255	160,223	138,720
Long Term Assets:								
Due from other governments	18,557	—	—	—	—	—	18,557	18,557
Deferred charges	3,655	—	—	—	—	—	3,655	1,390
Total long term assets	22,212	—	—	—	—	—	22,212	19,947
Fixed Assets (Note 5):								
Property and equipment	732,268	73,628	25,072	120,367	2,179	122,690	1,076,204	1,041,144
Less - accumulated depreciation	172,925	31,702	13,259	8,756	510	37,294	264,446	241,849
Net fixed assets	559,343	41,926	11,813	111,611	1,669	85,396	811,758	799,295
Total assets	**$654,373**	**85,538**	**16,625**	**113,889**	**6,117**	**117,651**	**994,193**	**957,962**
LIABILITIES AND FUND EQUITY								
Current Liabilities:								
Accounts payable	$ 12,739	14,568	917	813	1,731	4,322	35,090	42,100
Compensation liabilities	4,263	8,660	173	230	274	6,625	20,225	18,694
Due to Federal government (note 2)	18,887	—	—	—	—	—	18,887	31,605
Due to other funds (note 3)	11,000	—	—	—	—	—	11,000	42,308
Accrued liabilities	5,574	—	—	—	—	—	5,574	2,009
Deferred revenues	2,022	4,691	—	223	144	3,668	10,748	5,110
Current maturities	4,716	—	—	—	—	—	4,716	1,455
Other current liabilities	—	—	143	1,660	2,810	3,723	8,336	5,229
Total current liabilities	59,201	27,919	1,233	2,926	4,959	18,338	114,576	148,510
Long Term Liabilities:								
Due to Federal government (note 2)	108,845	—	—	—	—	—	108,845	216,183
General obligation bonds payable (note 6)	178,068	—	—	—	—	—	178,068	54,425
Other long term liabilities (note 6)	8,906	—	—	—	—	—	8,906	9,296
Total long term liabilities	295,819	—	—	—	—	—	295,819	279,904
Total liabilities	**355,020**	**27,919**	**1,233**	**2,926**	**4,959**	**18,338**	**410,395**	**428,414**
Fund Equity:								
Contributed capital (note 5)	305,359	64,680	15,715	91,708	—	84,297	561,759	560,951
Retained earnings (deficit) since October 1, 1978	(6,006)	(7,061)	(323)	19,255	1,158	15,016	22,039	(31,403)
Total fund equity	**299,353**	**57,619**	**15,392**	**110,963**	**1,158**	**99,313**	**583,798**	**529,548**
Total liabilities and fund equity	**$654,373**	**85,538**	**16,625**	**113,889**	**6,117**	**117,651**	**994,193**	**957,962**

The accompanying notes are an integral part of this statement.

Exhibit C-2

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Year Ended September 30, 1986
With Comparative Totals for Year Ended September 30, 1985
($000s)

	Water and Sewer	General Hospital	Starplex	Convention Center	Lottery and Games	University	Totals 1986	Totals 1985
Operating Revenues:								
Charges for services	$186,090	53,836	5,500	4,812	53,217	6,158	309,613	259,765
Operating Expenses:								
Personal services	33,802	68,567	1,801	4,252	2,726	60,020	171,168	166,625
Contractual services	31,429	8,759	790	3,840	10,063	5,294	60,175	63,630
Supplies	12,546	13,563	103	317	153	1,071	27,753	27,910
Occupancy	12,565	5,918	1,287	1,292	495	7,958	29,515	30,045
Depreciation	11,633	3,780	870	2,746	246	4,405	23,680	22,205
Miscellaneous	16,068	—	36	1,039	765	7,495	25,403	25,582
Total operating expenses	118,043	100,587	4,887	13,486	14,448	86,243	337,694	335,997
OPERATING INCOME (LOSS)	68,047	(46,751)	613	(8,674)	38,769	(80,085)	(28,081)	(76,232)
Nonoperating Revenues (Expenses):								
Intergovernmental (note 10)	—	—	—	—	—	6,095	6,095	5,678
Interest	(22,469)	—	—	40	1,237	1,333	(19,859)	(17,680)
Fiscal charges	(245)	—	—	—	—	—	(245)	(33)
Miscellaneous	—	—	—	—	11	4,130	4,141	3,909
Total nonoperating revenues (expenses)	(22,714)	—	—	40	1,248	11,558	(9,868)	(8,126)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	45,333	(46,751)	613	(8,634)	40,017	(68,527)	(37,949)	(84,358)
Operating transfers in (out):								
General Fund	—	48,350	—	8,521	(40,000)	67,715	84,586	80,703
NET INCOME (LOSS)	**45,333**	**1,599**	**613**	**(113)**	**17**	**(812)**	**46,637**	**(3,655)**
Depreciation closed to Contributed Capital	2,400	—	—	—	—	4,405	6,805	6,491
INCREASE (DECREASE) IN RETAINED EARNINGS	**47,733**	**1,599**	**613**	**(113)**	**17**	**3,593**	**53,442**	**2,836**
Retained Earnings (Deficit) at Beginning of Year	**(53,739)**	**(8,660)**	**(936)**	**19,368**	**1,141**	**11,423**	**(31,403)**	**(34,239)**
Retained Earnings (Deficit) at End of Year	**$ (6,006)**	**(7,061)**	**(323)**	**19,255**	**1,158**	**15,016**	**22,039**	**(31,403)**

The accompanying notes are an integral part of this statement.

Exhibit C-3

ENTERPRISE FUNDS

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended September 30, 1986
With Comparative Totals for Year Ended September 30, 1985
($000s)

	Water and Sewer	General Hospital	Starplex	Convention Center	Lottery and Games	University	Totals 1986	Totals 1985
Sources of Cash:								
Operations:								
Income (loss) before operating transfers	$ 45,333	(46,751)	613	(8,634)	40,017	(68,527)	(37,949)	(84,358)
Item not requiring cash -								
Depreciation	11,633	3,780	870	2,746	246	4,405	23,680	22,205
Working capital provided (required)	56,966	(42,971)	1,483	(5,888)	40,263	(64,122)	(14,269)	(62,153)
Increase (decrease) in current liabilities:								
Accounts payable	(5,495)	(2,857)	(134)	(42)	1,005	513	(7,010)	7,759
Compensation liabilities	408	2,116	—	(128)	62	(927)	1,531	2,152
Due to Federal government	(12,718)	—	—	—	—	—	(12,718)	(2,434)
Due to other funds	(31,000)	—	—	(308)	—	—	(31,308)	4,308
Accrued liabilities	3,565	—	—	—	—	—	3,565	2,009
Deferred revenues	502	4,677	—	(146)	24	581	5,638	900
Current maturities	3,261	—	—	—	—	—	3,261	1,455
Other current liabilities	(500)	—	114	1,660	1,406	427	3,107	229
Decrease (increase) in current assets:								
Receivables	(1,621)	3,503	(158)	(122)	(62)	(356)	1,184	(10,467)
Due from Federal government	(3,938)	(65)	—	—	—	353	(3,650)	(1,971)
Inventory	(4,418)	223	—	—	48	87	(4,060)	(899)
Other current assets	—	—	(159)	(1,097)	(206)	(139)	(1,601)	25
Cash provided (required)	5,012	(35,374)	1,146	(6,071)	42,540	(63,583)	(56,330)	(59,087)
Other sources of cash:								
Deduction of long term assets	245	—	—	—	—	—	245	30
Disposition of fixed assets	3,461	144	9	—	—	—	3,614	68
Proceeds of long term liabilities	127,968	—	—	—	—	—	127,968	65,177
Contribution of capital	2,978	357	—	352	—	3,926	7,613	106,362
Operating transfers in	—	48,350	—	8,521	—	67,715	124,586	116,172
Total sources of cash	139,664	13,477	1,155	2,802	42,540	8,058	207,696	228,722
Uses of Cash:								
Addition of long term assets	2,510	—	—	—	—	—	2,510	—
Acquisition of fixed assets	25,284	5,272	246	3,444	853	4,658	39,757	142,860
Payment of long term liabilities	112,053	—	—	—	—	—	112,053	40,414
Operating transfers out	—	—	—	—	40,000	—	40,000	35,469
Total uses of cash	139,847	5,272	246	3,444	40,853	4,658	194,320	218,743
INCREASE (DECREASE) IN CASH AND INVESTMENTS	**(183)**	**8,205**	**909**	**(642)**	**1,687**	**3,400**	**13,376**	**9,979**
Cash and Investments at Beginning of Year	**866**	**27,917**	**3,154**	**981**	**1,007**	**21,710**	**55,635**	**45,656**
Cash and Investments at End of Year	**$ 683**	**36,122**	**4,063**	**339**	**2,694**	**25,110**	**69,011**	**55,635**

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

To account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These funds are classified as Expendable Trust Funds (Unemployment Compensation and Housing Finance), Pension Trust Funds and Agency Funds.

The **Unemployment Compensation Trust Fund** is used to account for the accumulation of resources to be used for benefit payments to unemployed former employees of the District and Federal governments and private employers in the District. Resources are contributed by private employers at rates fixed by law and by the District and Federal governments on a reimbursable basis. The Fund is administered by an Unemployment Compensation Board composed of the Mayor and four members appointed by the Mayor. The administrative costs of the Board are accounted for in the General Fund.

The **Housing Finance Trust Fund** is used to account for cash received from public and private sources to be used for increasing the supply and lowering the cost of money available for residential mortgages and construction loans in order to help alleviate the shortage of adequate housing. Mortgage lenders and the Fund make mortgage, construction and rehabilitation loans for single and multifamily rental and home ownership units designed to expand available housing opportunities, achieve neighborhood and fiscal stability, and effect residential economic diversity. The Fund is administered by a Housing Finance Agency Board of Directors comprised of five members appointed by the Mayor with the consent of the Council. The administrative costs of the Agency are accounted for in the Fund.

Pension Trust Funds are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for judges, police officers, fire fighters and public school teachers of the District. Resources are contributed by employees and by the District and Federal governments at amounts determined by an annual actuarial study and the Retirement Reform Act. The assets of the Funds may not be invested in obligations of the District and its component units or in real property in the District. The Funds are administered by an eleven member Retirement Board, three of whom are appointed by the Mayor, two by the Council and one each by active and retired police officers, fire fighters and teachers. The administrative costs of the Board are accounted for in the General Fund.

Agency Funds are used to account for compensation deferred by employees, refundable deposits required of various licensees, monies held in escrow and other assets held in custody by the District as an agent for individuals, private organizations, other governments or other funds.

Exhibit D-1

FIDUCIARY FUNDS

COMBINING BALANCE SHEET

September 30, 1986
With Comparative Totals for September 30, 1985
($000s)

	Trust			Agency	Totals	
	Expendable		Pension			
	Unemployment Compensation	Housing Finance			1986	1985
ASSETS						
Restricted Assets:						
Cash and investments	$66,924	137,961	868,857	58,347	1,132,089	835,580
Due from Federal government (note 2)	295	—	560,441	—	560,736	575,917
Due from other funds (note 3)	938	—	14,248	—	15,186	14,649
Due from others (net of allowances for uncollectibles)	14,630	153,890	5,205	12,967	186,692	129,865
Total assets	**$82,787**	**291,851**	**1,448,751**	**71,314**	**1,894,703**	**1,556,011**
LIABILITIES AND FUND BALANCES						
Long Term Liabilities:						
Advance from other funds (note 3)	$ —	4,868	—	—	4,868	4,002
Liabilities Payable From Restricted Assets:						
Due to others	3,019	282,978	31,681	71,314	388,992	304,521
Total liabilities	**3,019**	**287,846**	**31,681**	**71,314**	**393,860**	**308,523**
Commitments and Contingent Liabilities (Notes 11 and 12)						
Fund Balances:						
Reserved for net restricted assets	79,768	8,873	1,417,070	—	1,505,711	1,251,490
Unreserved (deficit)	—	(4,868)	—	—	(4,868)	(4,002)
Total fund balances	**79,768**	**4,005**	**1,417,070**	**—**	**1,500,843**	**1,247,488**
Total liabilities and fund balances	**$82,787**	**291,851**	**1,448,751**	**71,314**	**1,894,703**	**1,556,011**

The accompanying notes are an integral part of this statement.

Exhibit D-2

EXPENDABLE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended September 30, 1986
With Comparative Totals for Year Ended September 30, 1985
($000s)

	Unemployment Compensation	Housing Finance	Totals 1986	Totals 1985
Revenues:				
Benefit contributions	$107,966	—	107,966	104,631
Miscellaneous	—	38,473	38,473	19,465
Total revenues	107,966	38,473	146,439	124,096
Expenditures:				
Current:				
Benefit payments	75,691	—	75,691	70,248
Miscellaneous	—	36,096	36,096	20,223
Total expenditures	75,691	36,096	111,787	90,471
EXCESS OF REVENUES OVER EXPENDITURES	32,275	2,377	34,652	33,625
Other Financing Sources:				
Operating transfers in:				
General Fund	—	1,234	1,234	835
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	**32,275**	**3,611**	**35,886**	**34,460**
Fund Balances at Beginning of Year	**47,493**	**394**	**47,887**	**13,427**
Fund Balances at End of Year	**$ 79,768**	**4,005**	**83,773**	**47,887**

The accompanying notes are an integral part of this statement.

Exhibit D-3

PENSION TRUST FUNDS

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

Years Ended September 30, 1986 and 1985 ($000s)

	1986	1985
Operating Revenues:		
Benefit contributions	$ 202,875	189,732
Miscellaneous	195,791	119,673
Total operating revenues	398,666	309,405
Operating Expenses:		
Benefit payments	178,445	167,946
INCOME BEFORE OPERATING TRANSFERS	220,221	141,459
Operating transfers in (out):		
General Fund	(2,752)	(2,213)
NET INCOME	**217,469**	**139,246**
Fund Balances at Beginning of Year	1,199,601	1,060,355
Fund Balances at End of Year	**$1,417,070**	1,199,601

The accompanying notes are an integral part of this statement.

Exhibit D-4

PENSION TRUST FUNDS

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION

Years Ended September 30, 1986 and 1985
($000s)

	1986	1985
Sources of Cash:		
Operations:		
Income before operating transfers	$220,221	141,459
Increase (decrease) in restricted liabilities:		
Due to others	12,368	4,717
Decrease (increase) in restricted assets:		
Due from Federal government	15,406	14,397
Due from other funds	(338)	141
Due from others	(2,829)	(41)
Total sources of cash	244,828	160,673
Uses of Cash:		
Operating transfers out	2,752	2,213
INCREASE IN CASH AND INVESTMENTS	**242,076**	**158,460**
Cash and Investments at Beginning of Year	**626,781**	**468,321**
Cash and Investments at End of Year	**$868,857**	**626,781**

The accompanying notes are an integral part of this statement.

Exhibit D-5

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 1986
($000s)

	Balance October 1, 1985	Additions	Deductions	Balance September 30, 1986
ASSETS				
Restricted Assets:				
Cash and investments	$50,946	44,933	37,532	58,347
Due from others	12,453	65,176	64,662	12,967
Total assets	**$63,399**	**110,109**	**102,194**	**71,314**
LIABILITIES				
Liabilities Payable From Restricted Assets:				
Due to others	$63,399	110,109	102,194	71,314
Total liabilities	**$63,399**	**110,109**	**102,194**	**71,314**

The accompanying notes are an integral part of this statement.

STATISTICAL SECTION

(in millions of dollars)

GENERAL FUND REVENUES

GENERAL FUND UNRESERVED DEFICIT

GENERAL FUND EXPENDITURES AND USES

GENERAL LONG TERM LIABILITIES

CAPITAL OUTLAYS

GENERAL FIXED ASSETS

This section contains tables which differ from financial statements because they usually cover more than two fiscal years and may present nonaccounting data. Statistical tables reflect social and economic data, financial trends and the fiscal capacity of the District.

OPERATING RATIOS

GENERAL FUND FOR 1986

REVENUE DOLLAR BY SOURCE
Where the money came from

a. Income and franchise taxes	$ .21
b. Property taxes	.17
c. Payment in lieu of taxes	.16
d. Grants and entitlements	.16
e. Sales and use taxes	.16
f. Other	.08
g. Other taxes	.06
	$1.00

EXPENDITURE DOLLAR BY FUNCTION
Where the money was spent

a. Human support services	$ .31
b. Public safety and justice	.21
c. Public education system	.17
d. Public works	.09
e. Economic development and regulation	.08
f. Debt service (net)	.07
g. Governmental direction and support	.04
h. Operating transfers (net)	.03
	$1.00

EXPENDITURE DOLLAR BY OBJECT
What the money was spent on

a. Salaries and wages	$ .38
b. Other	.15
c. Public assistance	.15
d. Employee benefits (current)	.10
e. Contractual services	.07
f. Interest debt service	.06
g. Occupancy	.03
h. Operating transfers (net)	.03
i. Supplies	.02
j. Principal debt service (net)	.01
	$1.00

Exhibit S-1

GENERAL FUND REVENUES BY SOURCE

Last Ten Fiscal Years
($000s)

Fiscal Year	Taxes	Licenses and Permits	Fines and Forfeits	Charges for Services	Miscel-laneous	Total District Revenues	Intergov-ernmental	Total (Exhibit A-2)
1977	$ 714,022	29,848	12,725	17,537	10,297	784,429	304,447	1,088,876
1978	820,482	27,287	14,096	23,769	16,724	902,358	312,745	1,215,103
1979	799,014	29,224	16,281	23,545	18,200	886,264	672,567	1,558,831
1980	928,412	30,496	22,871	10,794	49,578	1,042,151	689,479	1,731,630
1981	1,078,830	29,245	23,478	73,418	28,944	1,233,915	678,404	1,912,319
1982	1,173,725	29,661	22,124	68,491	18,033	1,312,034	684,590	1,996,624
1983	1,295,927	29,728	22,658	122,239	20,465	1,491,017	753,730	2,244,747
1984	1,398,812	30,338	23,343	115,556	21,402	1,589,451	813,544	2,402,995
1985	1,536,027	31,460	29,214	97,576	29,976	1,724,253	909,693	2,633,946
1986	1,684,535	31,850	39,528	117,585	34,897	1,908,395	906,686	2,815,081

Exhibit S-2

GENERAL FUND EXPENDITURES AND USES BY FUNCTION

Last Ten Fiscal Years
($000s)

Fiscal Year	Govern-mental Direction	Economic Develop-ment	Public Safety	Public Education	Human Services	Public Works	Future Employee Benefits	Debt Service	Financing Uses (Sources)	Total (Exhibit A-2)
1977	$ 49,447	14,445	267,837	276,962	305,810	119,958	—	80,839	1,777	1,117,075
1978	57,553	15,560	286,623	297,769	331,953	129,923	—	126,142	18,669	1,264,192
1979	64,888	91,106	310,787	317,329	532,587	118,985	—	113,359	9,435	1,558,476
1980	71,716	104,089	433,473	410,738	605,820	150,704	(156,057)	114,169	102,004	1,836,656
1981	75,509	96,807	450,526	397,944	645,102	153,868	(210,986)	123,772	111,387	1,844,019
1982	63,509	92,250	487,119	417,778	605,205	172,628	(101,181)	137,787	108,468	1,983,563
1983	55,196	118,315	562,178	448,763	718,348	250,227	(165,259)	153,217	90,876	2,231,861
1984	110,220	155,942	620,122	469,719	753,518	219,658	(204,517)	164,104	96,769	2,385,535
1985	120,473	198,209	685,091	490,561	776,318	231,503	(156,987)	429,378	(165,526)	2,609,020
1986	123,759	211,038	743,224	507,003	875,757	238,624	(181,402)	627,631	(350,606)	2,795,028

Exhibit S-3

PERCENT OF FEDERAL PAYMENT TO REVENUES AND EXPENDITURES

Last Ten Fiscal Years
($000s)

Fiscal Year	Federal Payment (Exhibit S-16)	District Revenues (Exhibit S-1)	Current Expenditures* (Exhibit S-2)	Percent of Federal Payment to	
				District Revenues	Current Expenditures
1977	$276,650	784,429	1,034,459	35.3	26.7
1978	276,000	902,358	1,119,381	30.6	24.7
1979	262,465	886,264	1,435,682	29.6	18.3
1980	276,500	1,042,151	1,620,483	26.5	17.1
1981	304,684	1,233,915	1,608,860	24.7	18.9
1982	336,600	1,312,034	1,737,308	25.7	19.4
1983	364,143	1,491,017	1,987,768	24.4	18.3
1984	417,222	1,589,451	2,124,662	26.2	19.6
1985	471,353	1,724,253	2,345,168	27.3	20.1
1986	450,265	1,908,395	2,518,003	23.6	17.9

* Total expenditures less debt service and financing uses (sources).

Exhibit S-4

MAJOR TAX RATES

Last Ten Fiscal Years

Fiscal Year	Property (1)					Sales and Use				Income (5)		Receipts (6)
	Real				Personal	General	Selective					
	Residential		Commercial				Alcoholic					
	Owner-Occupied	Tenant-Occupied	Hotels	Other		(2)	Beer (3)	Spirits (4)	Motor Fuel (4)	Individual	Business	Public Utility
1977	$1.83	1.83	1.83	1.83	2.82	.05	2.25	2.00	.100	.02-.11	.099	.060
1978	1.54	1.54						1.50				
1979												
1980	1.22		2.13	2.13	3.10	.06			.110			
1981									.130			
1982									.140			
1983									.148			
1984									.155			.067
1985			1.82	2.03							.105	
1986												

Units: (1) Per $100 of assessed value. (2) Per $1 of sales. (3) Per barrel.
(4) Per gallon. (5) Per $1 of taxable income. (6) Per $1 of gross receipts.

Exhibit S-5

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Tax Years
($000s)

Property Tax Year*	Tax Levy	Tax Collections			Percent of Collections to Levy		Delinquent Taxes	
		Current	Delinquent	Total	Current	Total	Outstanding	Percent to Levy
1977	$149,886	147,508	4,745	152,253	98.4	101.6	$ 5,298	3.5
1978	156,108	150,471	6,206	156,677	96.4	100.4	4,022	2.6
1979	171,703	168,755	2,442	171,197	98.3	99.7	3,271	1.9
1980	184,715	180,962	2,695	183,657	98.0	99.4	8,537	4.6
1981	230,367	224,573	3,900	228,473	97.5	99.2	10,950	4.8
1982	281,137	274,898	4,217	279,115	97.8	99.3	8,856	3.2
1983	334,667	326,252	6,353	332,605	97.5	99.4	10,271	3.1
1984	346,839	340,990	5,249	346,239	98.3	99.8	12,903	3.7
1985	392,635	383,763	5,237	389,000	97.7	99.1	14,809	3.8
1986	416,389	410,668	9,311	419,979	98.6	100.9	13,799	3.3

* Property tax year is from July 1 to June 30. Taxes are payable in two equal installments on September 15 and March 31. Fiscal year is from October 1 to September 30.

Exhibit S-6

DISTRIBUTION OF INDIVIDUAL INCOME TAXES

Years Ended December 31, 1985 and 1984

Taxable Income	1985			1984		
	Percent of Total Taxes Collected	Number of Taxpayers	Percent of Taxpayers	Percent of Total Taxes Collected	Number of Taxpayers	Percent of Taxpayers
Under $5,000	0.7	32,872	11.1	0.4	32,052	10.9
$ 5,000 to 9,999	3.1	54,381	18.4	3.2	53,202	18.1
$10,000 to 14,999	7.6	55,308	18.7	7.7	55,709	19.0
$15,000 to 24,999	21.9	79,079	26.8	22.2	79,531	27.1
$25,000 to 49,999	34.6	57,171	19.4	37.6	57,975	19.8
$50,000 to 99,999	17.8	13,213	4.5	17.7	12,464	4.2
$100,000 and over	14.3	3,142	1.1	11.2	2,655	0.9
Total	**100.0**	**295,166**	**100.0**	**100.0**	**293,588**	**100.0**

Exhibit S-7

ASSESSED VALUE, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years
($000s)

Fiscal Year	Commercial Construction		Residential Construction		Bank Deposits (1)	Assessed Value of Property*			
	Number of Units	Value	Number of Units	Value		Commercial	Residential	Total Taxable	Nontaxable
1977	43	$ 78,116	2,264	$48,007	4,165,801	3,155,000	5,034,000	8,189,000	9,461,000
1978	37	73,208	2,374	52,884	4,650,993	3,300,000	5,825,000	9,125,000	9,936,000
1979	57	190,462	1,871	60,190	5,092,065	3,815,000	6,823,000	10,638,000	10,601,000
1980	72	163,760	2,763	92,430	5,284,407	4,216,000	7,378,000	11,594,000	13,154,000
1981	56	180,747	1,172	30,002	5,781,615	4,981,000	8,984,000	13,965,000	13,407,000
1982	52	328,093	441	15,920	6,117,083	6,505,200	11,494,800	18,000,000	14,954,000
1983	93	497,614	608	38,072	7,329,039	8,038,700	12,055,300	20,094,000	20,062,000
1984	183	639,670	475	25,725	8,091,000	8,865,100	11,859,000	20,724,100	20,531,000
1985	153	304,925	628	30,031	9,059,000	11,321,600	12,124,600	23,446,200	22,152,700
1986	206	436,924	992	61,123	9,353,850	11,958,000	13,049,000	25,007,000	22,585,000

* Assessed value is 100 percent of estimated actual value.

Source: (1) FDIC *Summary of Deposits* in all commercial banks.

Exhibit S-8

TEN HIGHEST ASSESSED VALUES FOR TAX EXEMPT PROPERTIES

June 30, 1986

Property*	Value
George Washington University and Medical Center	$375,061,700
Howard University and Hospital	269,577,528
Georgetown University and Hospital	191,308,699
Washington Hospital Center	186,915,218
International Monetary Fund	151,055,000
National Geographic Society	102,513,000
Catholic University of America	101,958,488
National Cathedral	96,470,590
American University	80,352,030
Organization of American States	71,339,600

* Excludes Federal government property.

Exhibit S-9

TEN HIGHEST ASSESSED VALUES FOR COMMERCIAL PROPERTIES

June 30, 1986

Squares	Lots	Building	Land	Improvements	Total
254	832	National Place	$ 57,343,425	109,604,575	166,948,000
106	49	International Square	110,050,720	37,910,280	147,961,000
163	55	Washington Square	63,954,990	59,348,010	123,303,000
2132	32	Washington Sheraton Corporation	16,855,512	96,019,488	112,875,000
252	82	1300 New York Avenue, N.W.	46,246,540	56,042,460	102,289,000
8	807, 808, 811	Watergate	25,265,991	72,336,909	97,602,900
493	805 to 808	Federal Plaza	25,621,788	69,009,212	94,631,000
378, 435	61, 187	L'Enfant Plaza	29,161,781	64,070,633	93,232,414
224	22	Metropolitan Square	45,550,728	44,680,272	90,231,000
107	75	1801 K Street, N.W.	47,933,574	40,903,426	88,837,000

Exhibit S-10

TEN HIGHEST ASSESSED VALUES FOR RESIDENTIAL PROPERTIES

June 30, 1986

Squares	Lots	Location	Land	Improvements	Total
1320	809, 811 814, 818, 833, 839 856, 862 to 895, 948 to 961, 963 to 976	3905 Reservoir Road, N.W.	$9,391,808	1,737,847	11,129,655
1346	3, 4, 801 to 803	1801 Foxhall Road, N.W.	5,235,446	123,582	5,359,028
1285	802 to 806 811, 812	1623 28th Street, N.W.	2,235,642	2,991,477	5,227,119
1346	806, 812	2101 Foxhall Road, N.W.	4,930,407	152,744	5,083,151
1467	828 to 881	50th and Massachusetts Avenue, N.W.	4,007,312	—	4,007,312
1341	856, 858, 859, 861	2209 Foxhall Road, N.W.	3,133,414	665,372	3,798,786
2630	819	1940 Shepherd Street, N.W.	1,902,497	1,797,503	3,700,000
1209	889	3014 N Street, N.W.	606,617	2,143,383	2,750,000
2515	816, 817	2145 Decatur Street, N.W.	697,307	1,907,644	2,604,951
1341	857	2401 Foxhall Road, N.W.	1,889,879	705,556	2,595,435

Exhibit S-11

COMPUTATION OF LEGAL DEBT LIMITATION

Last Two Fiscal Years
($000s)

	1986	1985
Revenues:		
General Fund:		
District revenues (Exhibit S-1)	$1,908,395	1,724,253
Payment in lieu of taxes (Exhibit S-16)	450,265	471,353
Water and Sewer Fund (Exhibit C-2)	186,090	144,521
	2,544,750	2,340,127
Less- court fees (Exhibit A-3)	4,896	4,353
Total revenues	**$2,539,854**	**2,335,774**
Principal and Interest:		
General Fund:		
Principal retired (Exhibit S-13)	$ 39,505	30,089
Interest (Exhibit S-13)	151,195	144,178
Water and Sewer Fund:		
Principal retired (note 6A)	5,412	4,187
Interest expense (Exhibit C-2)	22,469	20,165
Interest capitalized (note 5B)	1,257	4,007
Total principal and interest	**$ 219,838**	**202,626**
Percent of Principal and Interest to Revenues*	**8.7**	**8.7**

* Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term general obligation debt to exceed 14 percent of the revenues of the fiscal year in which the debt is issued.

Exhibit S-12

PERCENT OF DEBT TO ASSESSED VALUE AND DEBT PER CAPITA

Last Ten Fiscal Years
($000s)

Fiscal Year	Population (Exhibit S-14)	General Obligation Debt (Note 6A)			Assessed Value (Exhibit S-7)	Percent of Debt to Assessed Value	Debt per Capita*
		Enterprise	General	Total			
1977	685,000	$ —	1,139,539	1,139,539	8,189,000	13.9	$1,664
1978	674,000	—	1,204,431	1,204,431	9,125,000	13.2	1,787
1979	656,000	154,628	1,246,642	1,401,270	10,638,000	13.2	2,136
1980	638,000	159,880	1,307,013	1,466,893	11,594,000	12.7	2,299
1981	632,000	170,017	1,403,744	1,573,761	13,965,000	11.3	2,490
1982	626,000	187,175	1,502,825	1,690,000	18,000,000	9.4	2,700
1983	623,000	235,069	1,589,485	1,824,554	20,094,000	9.1	2,929
1984	623,000	261,229	1,646,633	1,907,862	20,724,100	9.2	3,062
1985	626,000	278,224	1,781,265	2,059,489	23,446,200	8.8	3,290
1986	626,000	297,249	1,952,196	2,249,445	25,007,000	9.0	3,593

* There is no revenue, special assessment or overlapping debt.

Exhibit S-13

PERCENT OF DEBT SERVICE TO GENERAL FUND EXPENDITURES

Last Ten Fiscal Years
($000s)

Fiscal Year	Debt Service (Exhibit A-2)					General Fund Expenditures (Exhibit S-2)	Percent of Debt Service to General Fund Expenditures
	Principal Retired	Principal Refunded	Interest	Fiscal Charges	Total		
1977	$13,029	—	67,810	—	80,839	1,117,075	7.2
1978	23,410	—	102,734	—	126,144	1,264,192	10.0
1979	18,593	—	94,766	—	113,359	1,558,476	7.3
1980	21,643	—	92,526	—	114,169	1,836,656	6.2
1981	22,729	—	101,043	—	123,772	1,844,019	6.7
1982	25,419	—	112,368	—	137,787	1,983,563	6.9
1983	26,340	—	126,877	—	153,217	2,231,861	6.9
1984	27,852	—	136,252	—	164,104	2,385,535	6.9
1985	30,089	243,029	144,178	12,082	429,378	2,609,020	16.5
1986	39,505	424,756	151,195	12,175	627,631	2,795,028	22.5

Exhibit S-14

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population (1)	Median Age	Per Capita Income (2)
1977	685,000	29.4	$ 8,827
1978	674,000	30.0	9,589
1979	656,000	31.5	10,764
1980	638,000	31.0	12,210
1981	632,000	30.1	13,585
1982	626,000	30.6	14,562
1983	623,000	30.9	15,545
1984	623,000	31.4	17,113
1985	626,000	31.8	18,168
1986	626,000	*	18,545

* Not available.

Sources: (1) Federal Bureau of the Census.

(2) Federal Department of Commerce, Bureau of Economic Analysis.

Exhibit S-15

GOVERNMENTAL AND EXPENDABLE TRUST FUNDS

SUMMARY OF CHANGES IN CASH AND INVESTMENTS

Years Ended September 30, 1986 and 1985
($000s)

	Governmental Fund Types		Fiduciary Fund Type	Totals	
	General	Capital Projects	Expendable Trust	1986	1985
Sources of Cash:					
Operations:					
Excess (deficiency) of revenues over (under) expenditures	$(330,553)	(131,829)	34,652	(427,730)	(240,507)
Items benefiting prior or future years -					
Capital outlays	—	204,968	—	204,968	186,884
Debt service principal	464,261	—	—	464,261	273,118
Working capital provided	133,708	73,139	34,652	241,499	219,495
Increase (decrease) in current/restricted liabilities:					
Accounts payable	50,341	11,375	—	61,716	17,647
Compensation liabilities	(41)	—	—	(41)	15,243
Due to Federal government	(48,643)	—	—	(48,643)	(70,713)
Due to other funds	537	—	—	537	459
Accrued liabilities	24,879	—	—	24,879	3,437
Deferred revenues	33,999	(2,606)	—	31,393	6,208
Other current liabilities	6,605	—	—	6,605	4,823
Due to others	—	—	64,188	64,188	120,252
Decrease (increase) in current/restricted assets:					
Receivables	(16,444)	—	—	(16,444)	(2,466)
Due from Federal government	1,234	(7,135)	(225)	(6,126)	37,031
Due from other funds	31,308	—	(199)	31,109	(4,908)
Inventory	(3,565)	—	—	(3,565)	(292)
Other current assets	(581)	—	—	(581)	2,166
Due from others	—	—	(53,484)	(53,484)	(72,604)
Cash provided	213,337	74,773	44,932	333,042	275,778
Other sources of cash:					
Proceeds of long term liabilities	442,810	192,382	866	636,058	408,598
Operating transfers in	42,752	9,136	1,234	53,122	47,693
Total sources of cash	698,899	276,291	47,032	1,022,222	732,069
Uses of Cash:					
Addition of long term assets	866	—	—	866	848
Acquisition of fixed assets	—	204,968	—	204,968	186,884
Payment of long term liabilities	464,261	—	—	464,261	273,118
Operating transfers out	134,956	—	—	134,956	126,183
Total uses of cash	600,083	204,968	—	805,051	587,033
INCREASE IN CASH AND INVESTMENTS	**98,816**	**71,323**	**47,032**	**217,171**	**145,036**
Cash and Investments at Beginning of Year	**93,688**	**91,867**	**157,853**	**343,408**	**198,372**
Cash and Investments at End of Year	**$192,504**	**163,190**	**204,885**	**560,579**	**343,408**

Exhibit S-16

GOVERNMENTAL, EXPENDABLE TRUST AND PROPRIETARY FUNDS

SUMMARY OF FINANCIAL ACTIVITY

Years Ended September 30, 1986 and 1985
($000s)

	1986					1985		Difference	
	Gross Cost	Related Resources		Net Cost	% of Revenue	Net Cost	% of Revenue	Better or (Worse)	
		District	Federal					Amount	%
General Revenues:									
Sovereign:									
Taxes		$1,684,535	—	1,684,535	74.7	$1,536,027	72.6	$ 148,508	9.7
Licenses and permits		31,850	—	31,850	1.4	31,460	1.5	390	1.2
Fines and forfeits		39,528	—	39,528	1.7	29,214	1.4	10,314	35.3
Miscellaneous:									
Interest		21,221	—	21,221	0.9	21,081	1.0	140	0.7
Other		13,031	—	13,031	0.6	7,997	0.4	5,034	62.9
Intergovernmental (unrestricted):									
Payment in lieu of taxes		—	450,265	450,265	20.0	471,353	22.3	(21,088)	(4.5)
Revenue sharing entitlements		—	15,233	15,233	0.7	17,525	0.8	(2,292)	(13.1)
Total general revenues		1,790,165	465,498	2,255,663	100.0	2,114,657	100.0	141,006	6.7
Cost of Services:									
Governmental:									
Direction and interest	$ 284,377	3,420	69	280,888	12.4	271,619	12.8	(9,269)	(3.4)
Economic development	247,134	74,581	98,323	74,230	3.3	70,363	3.3	(3,867)	(5.5)
Public safety and justice	743,224	10,737	1,953	730,534	32.4	672,115	31.8	(58,419)	(8.7)
Education and libraries	507,003	3,291	43,218	460,494	20.4	447,221	21.2	(13,273)	(3.0)
Human services and recreation	951,448	121,912	295,660	533,876	23.7	455,306	21.5	(78,570)	(17.3)
Public works	238,624	50,728	1,965	185,931	8.2	186,664	8.8	733	0.4
Proprietary:									
Water and sewer	140,757	186,090	—	(45,333)	(2.0)	(1,839)	(0.1)	43,494	2,365.1
General hospital	100,587	53,836	—	46,751	2.1	43,669	2.1	(3,082)	(7.1)
Starplex	4,887	5,500	—	(613)	—	(261)	—	352	134.9
Convention center	13,486	4,852	—	8,634	0.4	7,617	0.4	(1,017)	(13.4)
Lottery and games	14,448	54,465	—	(40,017)	(1.8)	(35,473)	(1.7)	4,544	12.8
University	86,243	11,621	6,095	68,527	3.0	70,645	3.3	2,118	3.0
Net cost of services	3,332,218	581,033	447,283	2,303,902	102.1	2,187,646	103.4	(116,256)	(5.3)
CURRENT INCOME (LOSS)	(3,332,218)	2,371,198	912,781	(48,239)	(2.1)	(72,989)	(3.4)	24,750	33.9
Cost of Investing (Financing):									
Long term assets	2,265	—	—	2,265	0.1	(30)	—	(2,295)	7,650.0
Fixed assets	233,498	192,382	73,139	(32,023)	(1.4)	16,239	0.8	48,262	297.2
Long term liabilities	576,314	570,778	—	5,536	0.3	(5,672)	(0.3)	(11,208)	(197.6)
Net cost of investing	812,077	763,160	73,139	(24,222)	(1.0)	10,537	0.5	34,759	329.9
FINANCIAL FLOW IN (OUT)	(4,144,295)	3,134,358	985,920	(24,017)	(1.1)	(83,526)	(3.9)	59,509	71.2
Reclassification to GAAP Basis:									
Future employee benefits	181,402	—	—	181,402	8.0	156,987	7.4	(24,415)	(15.6)
Depreciation	6,805	—	—	6,805	0.3	6,491	0.3	(314)	(4.8)
Long term assets	2,265	—	—	2,265	0.1	(30)	—	(2,295)	(7,650.0)
Fixed assets	28,530	—	—	28,530	1.3	36,430	1.7	7,900	21.7
Long term liabilities	112,053	127,968	—	(15,915)	(0.7)	(24,763)	(1.1)	(8,848)	(35.7)
Total reduction	331,055	127,968	—	203,087	9.0	175,115	8.3	(27,972)	(16.0)
INCREASE IN RETAINED CAPITAL	**$(3,813,240)**	**3,006,390**	**985,920**	**179,070**	**7.9**	**91,589**	**4.4**	**87,481**	**95.5**
Retained Capital (Deficit) at Beginning of Year				**(144,283)**	**(6.4)**	**(235,872)**	**(11.2)**	**91,589**	**38.8**
Retained Capital (Deficit) at End of Year				**$ 34,787**	**1.5**	**$ (144,283)**	**(6.8)**	**$ 179,070**	**124.1**

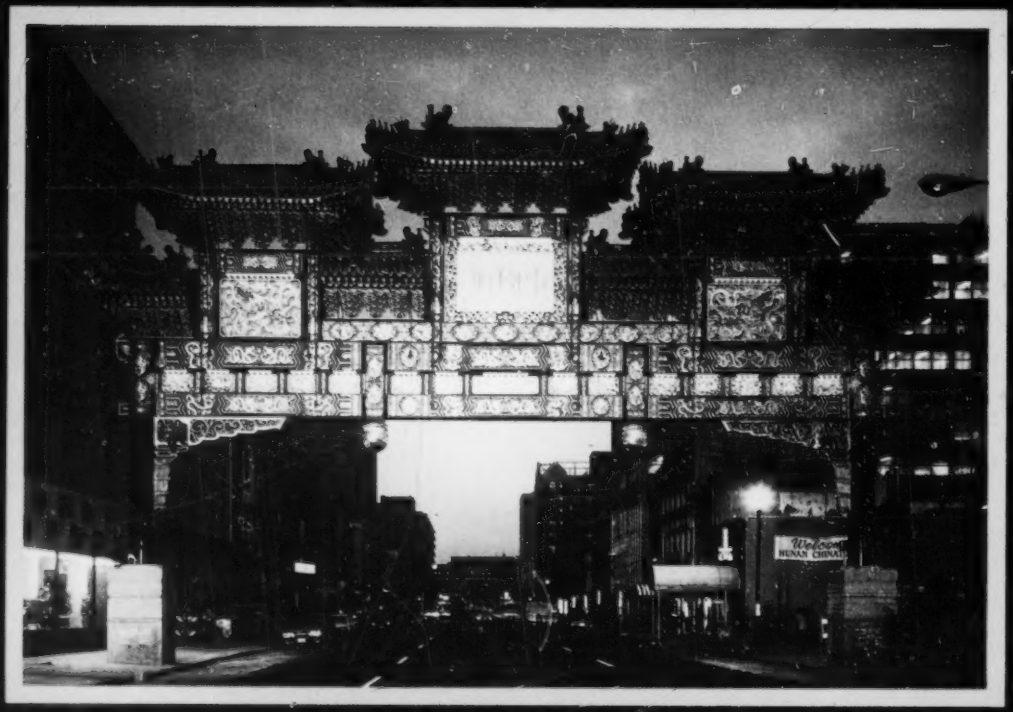
Exhibit S-17

MISCELLANEOUS STATISTICS

September 30, 1986

Area (square miles):	
Federal and foreign governments	23.7
District government	2.5
Streets and alleys	15.4
Taxable base	20.3
Total area	61.9
Employees (authorized, permanent, full-time):	
Governmental direction	1,955
Economic development	1,123
Public safety and justice	10,240
Education and libraries	10,689
Human services and recreation	3,861
Public works	2,789
Total employees	30,657
Police Protection:	
Number of stations	13
Number of police officers	3,792
Crime index offenses	53,137
Fire Protection:	
Number of stations	33
Number of fire fighters	1,342
Transportation:	
Number of street lights	65,340
Number of traffic signalized intersections	1,278
Number of motor vehicle registrations (1/1-12/31)	390,785
Water:	
Number of consumers	127,000
Average daily consumption (in millions of gallons)	162
Miles of mains	1,286
Sewers:	
Miles of mains	1,800
Daily maximum capacity (in millions of gallons)	650
Economic:	
Taxable retail sales (in millions)	$5,214
Unemployment claims accepted	36,262
Unemployment claims rejected	13,277
Unemployment rate	7.6%
Recreation:	
Number of centers and playgrounds	103
Number of day camps	7
Number of outdoor swimming pools	34
Number of indoor swimming pools	11
Libraries:	
Number of main and branch buildings	21
Number of community and kiosk facilities	5
Number of volumes	1,446,183
Education:	
Number of public schools	184
Number of public school teachers	5,871
Number of public school students	87,677
Education level (in years of formal schooling)	12.7

MARY McLEOD BETHUNE



Friendship Arch

Cover Photo: District Building